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UNIVERSITY OF ALBERTA

MAJOR DOUGLAS AND ALBERTA SOCIAL CREDIT IDEOLOGY, 1932-1948

BY

BOB HESKETH ©

A thesis submitted to the Faculty of Graduate Studies and Research in partial fulfilment of the requirements for the degree of Doctor of Philosophy.

DEPARTMENT OF HISTORY

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UNIVERSITY OF ALBERTA

FACULTY OF GRADUATE STUDIES AND RESEARCH

The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies and Research for acceptance, a thesis entitled "Major Douglas and Alberta Social Credit Ideology, 1932 - 1948" submitted by Bob Hesketh in partial fulfilment of the requirements for the degree of Doctor of Philosophy in Canadian History.

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ABSTRACT

Major C.H. Douglas, a British electrical engineer and monetary theorist, developed the fundamental principles of social credit in the years following the First World War. Douglas social credit combined a conspiratorial understanding of the world with anti-Semitism and proposed a number of radical reforms that would have dramatically transformed Britain's economic and political systems. The goal of Douglas social credit was to free the individual from economic and political coercion by creating economic and political democracy within a bondholder state.

In Britain, Douglas's sometimes complex and frequently deceptive ideas constituted no more than a minor strain of underground economic thought. In Alberta, those ideas were adopted by Calgary fundamentalist William Aberhart and his close associate Ernest Manning. Their Social Credit movement rapidly grew in membership and power and scored a stunning upset in the 1935 provincial election. Social Credit remained in government for more than three decades.

My thesis focusses on the influence of Douglas social credit on Alberta Social Credit from 1932 to the late 1940s. I argue that Douglas's ideas lay at the heart of Alberta Social Credit ideology through these years. Alberta Social Credit's dramatic attacks on the Plutocracy and the conspiracy of Money Lords, its denunciations of monopoly and capitalism, its far-reaching reform proposals -- which variously hinted at socialism or even communism, promoted individualism, championed free enterprise, and threatened fascism -- all had their roots in Douglas social credit. The government's consistent autarchic economic policies also arose from its understanding of Douglas social credit.

My thesis, therefore, differs from the many studies that regard Douglas social credit as a narrowly conceived theory of monetary reform constituting a conservative defence of capitalism and having only a short term influence on the Alberta government. My thesis also differs from more recent studies that doubt the importance of Douglas social credit as the source of Alberta Social Credit's ideas. Although official understandings changed over the years, Douglas social credit remained the constant reference point of Alberta Social Credit ideology and government policy into the 1950s.

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Carol Lee Pollock, Chris Hackett, Mark Levine, and Bob Irwin read an earlier version of my thesis. In addition to copy-editing suggestions, they posed a number of difficult questions about my work. Hopefully, some of those questions have been more directly answered in the final version of my thesis; others must await further research.

The members of my committee, Drs. H. Blair Neatby, Larry Pratt, David J. Hall, Burton Smith, and Philip Lawson, carefully read my thesis. Each provided insightful criticisms of my work and useful suggestions to pursue as I attempt to turn my thesis into a book.

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Chapter One

SOCIAL CREDIT HISTORIOGRAPHY

Observers could be excused for thinking Alberta Social Credit was a mass of contradictions when it officially entered provincial politics in February 1935. It was a rapidly growing movement that had already soaked up countervailing tendencies and ideas from the founder of social credit, Major C. H. Douglas, the charismatic leader of the Alberta movement, William Aberhart, and from prairie populist traditions and the myriad activists who had flooded to it over the previous three years. It attacked bankers and businessmen. It opposed socialism. It championed individual freedom. Then it called for a guaranteed income in the form of a monthly dividend payment and public control over the policy of both financial institutions and productive enterprise. It even claimed the proposed changes held no danger for private property. Likewise, it attacked partisan politics, called for a reawakened democracy in which the people actually determined the policy of government, and then advocated a form of government-by-experts that would have undermined British parliamentary traditions and, possibly, democracy, itself.

William Aberhart's expression of social credit theory as a heady mixture of prophetic religion and salvation politics added confusion to contradiction. Aberhart, a fundamentalist preacher, combined outlandish claims that evil Money Lords were trying to enslave Albertans to the Golden Moloch with revolutionary proposals to eliminate the profit system by instituting just prices and reckless promises that, within 18 months, he could provide adult Alberta citizens with a monthly dividend of $25 simply by employing Douglas's monetary theories. Reputable economists loudly objected that Douglas's theories were based on fallacies. Business representatives claimed Aberhart was a charlatan and a dictator heartlessly manipulating the downtrodden. Fifty-four percent of Alberta's voters disagreed. In the 22 August 1935 provincial election, with the support of farmers, labourers, small businessmen, city dwellers, and residents of small towns, Social Credit won 56 of 63 seats.

The contradictions and confusion remained after Social Credit was in power. Initially, Aberhart seemed hesitant to enact social credit legislation. His government adopted some orthodox economic solutions for Alberta's debt problems and passed licensing legislation for businesses that threatened a form of state control, yet claimed all along to be carefully building the infrastructure for a social credit economy. Businesses were alarmed. Opposition politicians charged that Aberhart was already trying to find a way to weasel out of his election promises because he knew social credit could not work. And Douglas claimed Aberhart did not even understand social credit.

By 1937, government backbenchers were so frustrated by Aberhart's cautious approach that they threatened their own government with defeat. At the backbenchers' insistence, two Douglas technicians, L.D. Byrne and George Powell, were brought in from England and under their guidance -- and instructions from Douglas -- the government began to pass its notorious social credit acts. It suspended the civil rights of bankers and threatened to direct banking policy to fulfill the will of the people. At times, Aberhart was virtually a prisoner of his own caucus, yet he was as willing as the backbenchers to pass a press bill that seriously impaired freedom of speech and the entire government temporarily adopted Douglas's political theory with its draconian implications.

Amazingly, Social Credit survived. At the urging of business and finance, the federal government and courts intervened to block the press bill and various pieces of social credit legislation. Faced with a constitutional impasse, Social Credit eventually enacted the "Interim Program," which, yet again, attempted to substitute social credit institutions for those of finance and thus to free Alberta from the grasp of the Money Lords. After an early flurry of activity, however, the Program seemed to fizzle out. By the 1940s, critics concluded with some satisfaction that behind the scenes Social Credit was opportunistically completing its transition to fiscal orthodoxy.

That transition appeared particularly noticeable when Aberhart died in 1943 and was replaced by his longtime associate Ernest C. Manning. Conservative and austere, Manning contrasted sharply with the flamboyant Aberhart, and he earned the respect of business and, eventually, of finance. He attacked socialism and bureaucratic centralization, promoted the free enterprise system, and finally, in the late 1940s, purged the party's extremists, many of whom were anti-Semitic. Social Credit appeared to be the embodiment of good government and, if Manning occasionally deferred to social credit ideas, observers concluded he was only trying to please the party's remaining true believers. Yet, Manning maintained his government was still intent on establishing social credit in Alberta, and he never renounced his faith in Douglas's monetary theory.

The contradictions, confusion, charismatic leadership, outlandish theories, and difficulties in distinguishing between the appearance and reality of Social Credit have all fascinated scholars. At times, Social Credit appeared to be a monetary reform party, at times a labour party, a farmers' party, a religious crusade, or perhaps a populist party intent on overthrowing the plutocracy. It embraced heretical and fallacious monetary theories, yet provided fiscally conservative government. It was democratic, manipulative, and dangerously authoritarian. The opportunities for rich and diverse interpretations are plentiful.

The first and most concentrated period of scholarly study began in the 1950s with the immensely successful Social Credit series, sponsored by the Canadian Social Science Research Council and published by the University of Toronto Press. Most of the works in the series concentrated on the exciting early Aberhart years. The scholars were mainly social scientists, rationalists in an age that looked to economic planning, centralization, science, and reason to solve societal problems. They were highly critical of Social Credit, a movement based on crank monetary theories and led by a fundamentalist who appealed to regional prejudice, faith, and emotion to sway the public.

C.B. Macpherson's brilliant 1953 *Democracy in Alberta: Social Credit and the Party System* was by far the most influential of these works.[1] Macpherson, a political theorist, employed class analysis to explain Social Credit's appeal to Albertans. Douglas social credit, according to Macpherson, lacked an "anchor in the experience of any homogeneous class." Rather, it expressed the anxieties of a few men who had become alienated within industrial British society, primarily the *petit bourgeois* city-dwellers who were threatened by the economic changes of the early twentieth century. Douglas's personal sense of alienation found expression in his identification of a shortage of purchasing power that led to an imbalance between production and consumption and was, he believed, the root cause of both the individual's lack of fulfilment and the community's deprivation in the existing capitalist system. In Alberta, the same ideas appealed to farmers and small businessmen -- the small commodity producers who constituted an unusually large percentage of the province's population. As a class, small commodity producers were disadvantaged by Alberta's quasi-colonial relationship to the mature capitalist economy of the Canadian industrial heartland. They were suffering even more because of the depression. Thanks to their preponderance in Alberta, all classes united behind their reform demands.[2] Alberta Social Credit, then, was a regional protest of a quasi-colonial society. Douglas's monetary reform panaceas expressed the West's sense of alienation, but Alberta Social Credit challenged neither free enterprise precepts nor existing socioeconomic relations. It was essentially a conservative movement that only sought justice within the existing system.

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[1] C. B. Macpherson, *Democracy in Alberta: Social Credit and the Party System* (Toronto: University of Toronto Press, 1953)

Macpherson argued that, while Aberhart never really understood Douglas's monetary theories, he did adopt Douglas's autocratic political theory. Douglas believed that the democratic process should lead to an expression of the general will. Following this theory, the electorate would vote for the results they wanted, but they were incapable of choosing the correct methods to achieve those results. Consequently, the choice of methods should be left to experts. Macpherson reasoned that, in following this theory to gain election, a politician would "promise everything and discuss nothing . . . assert that you had all the answers and demand to be taken on trust."[3] The public would be treated with contempt and there was no mechanism to stop the experts from establishing a dictatorial, technocratic state. When the fundamentalist Aberhart adopted this theory, he frustrated popular control of the legislature and, in the long term, debased Alberta's democratic traditions.

Other scholars soon offered differing interpretations of Alberta Social Credit. J.R. Mallory and S.D. Clarke, the editor of the University of Toronto series, emphasized Social Credit as a regional protest movement.[4] W. E. Mann stressed Aberhart's appeal to fundamentalists.[5] John Irving, whose earlier works had influenced Macpherson, argued Alberta Social Credit was initially an outgrowth of Aberhart's fundamentalist religious movement. Its victory in 1935 was explicable in terms of the depression, mass psychology, and Aberhart's charisma. The profound personality disintegration brought on by the depression made the public susceptible to Aberhart's rhetoric, inducing a form of mass hysteria.[6] Most of these works differed from Macpherson mainly in emphasis. *Democracy in Alberta* was the definitive exploration of Social Credit emerging from the 1950s.

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[2] William Leiss, *C.B. Macpherson: Dilemmas of Liberalism and Socialism* (Montreal: New World Perspectives, 1988), 66

[3] Macpherson, *Democracy in Alberta*, 129-30

[4] J.R. Mallory, *Social Credit and the Federal Power in Canada* (Toronto: University of Toronto Press, 1954)

In reviewing these various works, four trends can be identified which significantly influenced subsequent scholarship. First, scholars in the Social Credit series shared a current of thought common in American scholarship equating populism and fundamentalism with ultra-conservatism and reaction to modernism, a catchall term signifying the increasing secularism, rationalism, and technological basis of society. Following the Second World War, American scholars of a liberal bent were concerned by the troubling slide of the United States toward McCarthyism. They came to believe they saw the origins of McCarthyism in earlier reactionary movements and characterized those movements in terms of their tendencies towards nostalgia for a past golden age, irrationality, anti-Semitism, nativism, and susceptibility to conspiratorial theories. Populist and fundamentalist leaders were manipulative, politically expedient, resistant to industrialism, fearful of godless cities, intellectually shallow, and given to authoritarianism.[7]

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[5] W.E. Mann, *Sect, Cult and Church in Alberta* (Toronto: University of Toronto Press, 1955)

[6] John A. Irving, *The Social Credit Movement in Alberta* (Toronto: University of Toronto Press, 1959); Irving, "Evolution of the Social Credit Movement," *Canadian Journal of Economics and Political Science* 14:3(1948), 321-41; also see Hugh Whalen, "Social Credit Measures in Alberta," *Canadian Journal of Economics and Political Science* 18:4(1952), 517.

[7] On populism, see Daniel Bell, ed., *The Radical Right* (New York: Doubleday, 1963) and Richard Hofstadter, *The American Political Tradition and the Men Who Made It* (New York: Vintage Books, 1948); Hofstadter, *The Age of Reform: From Bryan to F.D.R* (New York: Knopf, 1955). Two useful historiographical overviews are Roger D. Launius, "The Nature of the Populists: An Historiographical Essay," *Southern Studies* 22:4(1983), 366-85 and James Turner, "Understanding the Populists," *Journal of American History* 67:2(1980), 354-73. On fundamentalism see C. Norman Kraus, *Dispensationalism in America: Its Rise and Development* (Richmond, Virginia: John Knox Press, 1958) and, for historiography, William R. Ellis,

Contemporary scholars with similar liberal views in Canada regarded Social Credit as an example of this authoritarian, backward reaction. The conservatism of Alberta's Social Credit government of Ernest Manning in the 1950s reinforced this interpretation. Manning held a massive majority in the legislature and Albertans seemed to feel little need for a meaningful democratic opposition. Social Credit even sheltered a ragtag radical fringe of Douglasites and others who admired and emulated McCarthy. Surely Social Credit's ongoing opposition to Ottawa's centralizing initiatives was no more than a parochial reaction to the centralization that was commonly deemed necessary to progress.[8]

Social sciences theory dominated many of these works.[9] To a surprising extent, Social Credit was not even the primary subject of interest for these scholars. Macpherson saw in Social Credit the potential for an exposition of political theory. W. E. Mann's major focus was Alberta's religious sects. J. R. Mallory looked at Social Credit as an instance of the use of disallowance and of the birth, life, and death of third parties in the Canadian political system. John Irving's interest was stimulated by the psychological implications of Social Credit's triumph. There were significant gains but, ultimately, the contradictions that characterized Alberta Social Credit were too often sacrificed to satisfy a particular theory.

The second trend emerging from the 1950s was that Alberta's behaviour in voting for Social Credit was considered somehow deviant. There had to be something that would explain the province's particular susceptibility to a messianic and manipulative leader preaching crank monetary theories, for Aberhart Social Credit was a sore, a canker on the liberal democratic body politic of Canada. Macpherson believed he had found the answer in the false consciousness of the dominant petit bourgeois small commodity producers, Irving, in the psychological dislocation caused by the depression, and Mann, in the prominence of

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"Evolution, Fundamentalism, and the Historians: An Historiographical Review," *Historian* 44:1(1981), 15 - 35.

[8] Ramsay Cook suggests that the idea of regionalism as an obstacle to Canadian unity was an undercurrent through the Social Credit series ("The Burden of Regionalism," *Acadiensis* 7:1[1977], 110-15).

[9] Launius suggests most of the 1950s studies on populism in the U.S. were undertaken by sociologists and political scientists whose presentism affected their work ("Nature of the Populists," 374).

religious sects and cults in Alberta.

Third, virtually all these works explained Social Credit's history in terms of sharp discontinuities. Thus, Douglas social credit and Aberhart social credit were significantly different. In government, Social Credit was almost orthodox until the backbenchers' revolt forced it to adopt radical social credit legislation. Soon after, however, Social Credit completed its transition to orthodoxy. Aberhart's erratic and, sometimes, dangerously authoritarian government gave way to Manning's good government strategy. The radical Douglas fringe lingered on, but it was out of touch with the conservative Manning mainstream of the party and was eventually purged. Such discontinuities were hardly surprising in a movement that embodied so many contradictions.

Fourth, the manipulative character of Aberhart was vital to most explanations of Alberta Social Credit. Aberhart was thought to have advocated Douglas's theories mainly as a vehicle to gain power. Once in government, he would easily have ignored his election promises were it not for pressure from his backbenchers. With the backbenchers' revolt, he enacted social credit measures to stay in power. When the backbenchers' social credit legislation was blocked by the federal government, however, he gladly abandoned social credit economics forever. Manning continued Aberhart's charade, paying lip service to Douglas's ideas while informally allying Social Credit with the Alberta business community and against the socialist Co-operative Commonwealth Federation (CCF).

For many years, the 1950s works on Social Credit, anchored by Macpherson's study, stood unchallenged, although Alberta Social Credit continued to fascinate scholars. Most new works offered slight amendments rather than significant revisions. Harold J. Schultz emphasized Aberhart's capabilities as a leader.[10] Thomas Flanagan drew on Irving's and Mann's work and on the theory of millenarian movements to suggest that Social Credit was a secular millenarian movement.[11] In contrast, H. L. Malliah and Owen Anderson cast doubt on Mann's assumptions about Aberhart's support among Alberta fundamentalists.[12] A number of scholars chipped away at Macpherson's theories about the nature of Social Credit's public support.[13] Richard Swann suggested Aberhart Social Credit was actually progressive in some respects.[14] Some scholars contrasted Alberta Social Credit's fundamentalism and authoritarian reaction to the modern world to the social gospel and progressive democratic socialist response of T.C. Douglas's CCF government in Saskatchewan.[15]

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[10] Harold J. Schultz, "Aberhart, the Organization Man," *Alberta Historical Review* 7:2(Spring 1959), 19-26; Schultz, "Social Credit Backbenchers Revolt, 1937," *Canadian Historical Review* 41:1(1960), 1-18; Schultz, "A Second Term: 1940," *Alberta Historical Review* 10:1(Winter, 1962), 17-26; Schultz, "Portrait of a Premier: William Aberhart," *Canadian Historical Review* 45:2(1964), 185-211; also see John L. Barr, *The Dynasty: The Rise and Fall of Social Credit in Alberta* (Toronto: McClelland and Stewart, 1974).

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[11] Thomas E. Flanagan, "Social Credit in Alberta: A Canadian 'Cargo Cult'?," *Archives de Sociologie des Religions* 34(1972), 39-48; Thomas Flanagan and Martha Lee, "From Social Credit to Social Conservatism: The Evolution of an Ideology," *Prairie Forum* 16:2(1991), 205-23

[12] Holavanohally Lingappa Malliah, "A Socio-Historical Study of the Legislators of Alberta," (Ph.D. thesis, University of Alberta, 1970); Owen Anderson, "The Alberta Social Credit Party: An Empirical Analysis of Membership, Characteristics, Participation, and Opinions," (Ph.D. thesis, University of Alberta, 1972); J. Paul Grayson and L.M. Grayson, "The Social Base of Interwar Political Unrest in Urban Alberta," *Canadian Journal of Political Science* 7:2(1974), 289-313; David Elliott and Iris Miller, *Bible Bill: A Biography of William Aberhart* (Edmonton: Reidmore Books, 1987), 178

[13] John Anthony Long, "Maldistribution in Western Provincial Legislatures: The Case of Alberta," *Canadian Journal of Political Science* 2:3(1969), 345-55; Thomas E. Flanagan, "Ethnic Voting in Alberta Provincial Elections, 1921-1971," *Canadian Ethnic Studies*; 3(1971), 139-64; Thomas E. Flanagan, "Stability and Change in Alberta Provincial Elections," *Alberta Historical Review* 21:4(1973), 1-8; Thomas E. Flanagan, "Ethnic Voting in Alberta Provincial Elections, 1921-1975," in Carlo Caldarolo, ed., *Society and Politics in Alberta: Research Papers* (Toronto: Methuen Publications, 1979), 304-21; T.J. Levesque and K.H. Norrie, "Overwhelming Majorities in the Legislature of Alberta," in *Canadian Journal of Political Science* 12:3(1979), 451-70; David Byron, "The Recognition of the Opposition in Alberta, 1905-1983," *Prairie Forum* 9:1(1984), 45-60; John Richards and Larry Pratt, *Prairie Capitalism: Power and Influence in the New West* (Toronto: McClelland and Stewart, 1979), 150

[14] With more rigorous research, Swann's work might have had a greater impact. Richard Swann, "Progressive Social Credit in Alberta," (Ph.D. thesis, University of Cincinatti, 1971); Swann, "Social Credit and the Progressive Tradition in Canada to 1940," *Social Science Journal* 14:1(1977), 119-25

[15] H. Blair Neatby, *The Politics of Chaos: Canada in the Thirties* (Toronto: Macmillan of Canada, 1972); Walter E. Ellis, "Baptists and Radical Politics in Western Canada, (1920 - 1950)," in Jarold K. Zeman, ed., *Baptists in Canada: Search for Identity Amidst Diversity* (Burlington: G.R. Welch, 1980), 161-82; Nelson Wiseman, "An Historical Note on Religion

Other scholars, influenced by newer trends in the historiography of American populism,[16] followed up on the idea that Social Credit embodied a populist protest. Perhaps the best of this work suggested that there were two variants of populism. The left variant featured farm and labour alliances attacking all sectors of corporate capitalism and advocating both co-operatives and either government regulation or government ownership of the means of production as ways of building an alternative society. The right variant featured a regional common front of all classes, a narrow focus on monetary issues, and advocacy of open market competition, excepting banks.[17] Implicitly, the right variant was inferior because it did not contemplate fundamental change in the relations of production. Alberta Social Credit was an example of right wing populism.

The most adventurous and probably the best work on Social Credit to appear in these years was John L. Finlay's 1972 *Social Credit: The English Origins.* Finlay rooted Douglas's social credit thought in the European intellectual traditions of underconsumptionism and distributism and in the anti-Semitism and guild socialism of the *New Age*, a British weekly for intellectuals edited by A.R. Orage. Finlay went to extremes to be fair to Douglas. In the process, he underestimated the significance of Douglas's anti-Semitism and conspiratorial understanding of history for his explanations of social credit. Yet Finlay's recognition of the complexities of Douglas's thought was immensely suggestive for understanding Alberta Social Credit. *Social Credit: The English Origins* has been too little valued by subsequent scholars.[18]

Only recently have scholars seriously challenged the elegant theoretical interpretations of the 1950s. Building on Malliah and Anderson's work, David Elliott has demonstrated that,

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and Parties on the Prairies," *Journal of Canadian Studies* 16:2(1981), 109-12

[16] For two examples, see Walter T.K. Nugent, *The Tolerant Populists: Kansas Populism and Nativism* (Chicago: University of Chicago Press, 1963) and C. Vann Woodward, "The Populist Heritage and the Intellectual," *American Scholar* 29(1960), 55-74.

[17] Peter R. Sinclair, "Class Structure and Populist Protest: The Case of Western Canada," *Canadian Journal of Sociology* 1:1(1975), 1-17; John F. Conway, "The Nature of Populism: A Clarification," *Studies in Political Economy* 13(1984), 137-44; Richards and Pratt, *Prairie Capitalism*

[18] John L. Finlay, *Social Credit: The English Origins* (Montreal: McGill-Queen's University Press, 1972)

once Aberhart became involved in Social Credit, his preaching often resembled the social gospel more than fundamentalism. Many Alberta fundamentalists were, in fact, angered by Aberhart's apparent desertion. According to Elliott, Aberhart's social gospel rhetoric helped Social Credit attract members from diverse religious backgrounds.[19] Elliott has also thrown light on Social Credit's too often ignored anti-Semitic tendencies.[20]

By far the most attention, however, has been devoted to the left-leaning tendencies of Social Credit in its early years. Scholars like Macpherson and Irving had noted such tendencies in passing, as well as a significant working class presence among Social Credit's supporters, but, these aspects of the movement were not integral to their theoretical formulations. Larry Hannant, Alvin Finkel, David Elliott, and Edward Bell have all re-emphasized working class participation and influence in the Social Credit organization.[21] Focussing mainly on the grass roots, Finkel makes a strong case that Social Credit's left-leaning tendencies were central to its 1935 election victory. According to Finkel, the urban working-class looked to Social Credit because the Labour Party and union leaders resisted grass roots activism, and there was no alternative left vehicle. Farmers and farm labourers rallied to Social Credit because the United Farmers of Alberta (UFA) was crippled by scandal and the CCF was tainted by its UFA affiliations. In Social Credit, both labourers and farmers found a welcome opportunity for mass participation. They influenced Social Credit to accept social democratic policies that had no place in Douglas social credit or in the beliefs of the conservative Aberhart. Because of these revisionist studies, the basic assumptions Macpherson made about the distinctively petit bourgeois nature of Alberta society and Alberta Social Credit can no longer be accepted.[22]

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[19] Elliott and Miller, *Bible Bill*; David Elliott, "Antithetical Elements in William Aberhart's Theology and Political Ideology," *Canadian Historical Review* 59:1(1978), 38-58; David Elliott, "The Devil and William Aberhart: The Nature and Function of His Eschatology," *Studies in Religion* 9:3(1980), 325-37; Elliott and Miller, "Aberhart and the Calgary Prophetic Bible Institute," *Prairie Forum* 9:1(1984), 61-77

[20] David Elliott, "Anti-Semitism and the Social Credit Movement: The Intellectual Roots of the Keegstra Affair," *Canadian Ethnic Studies* 17:1(1985), 78-89. Also see David Bercuson and D. Wertheimer, *A Trust Betrayed: The Keegstra Affair* (Toronto: Doubleday, 1985).

[21] Larry Hannant, "The Calgary Working Class and the Social Credit Movement in Alberta, 1932-35," *Labour/Le Travaille*, 16(1985), 97-116; Alvin Finkel, "Populism and the Proletariat: Social Credit and the Alberta Working Class," *Studies in Political Economy*, 13(1984), 109-35; Alvin Finkel, *The Social Credit Phenomenon in Alberta* (Toronto: University of Toronto Press, 1989); David Elliott, "William Aberhart: Right or Left?," in D. Francis and H. Ganzevoort, eds., *The Dirty Thirties in Prairie Canada: 11th Western Canada Studies Conference* (Vancouver: Tantalus Research, 1980), 11-31; Elliott and Miller, *Bible Bill*. Bell suggests that an understanding of this support requires a new analysis of the class basis of Social Credit ideology and leadership ("Class Voting in the First Alberta Social Credit Election," *Canadian Journal of Political Science* 23:3[1990], 530; "The Petite Bourgeoisie and Social Credit: A Reconsideration," *Canadian Journal of Sociology* 14:1[1989], 45-65).

Since Macpherson's class analysis was basic to his understanding of social credit, it followed that his explanations of Alberta Social Credit ideology must also be altered. The revisionist scholars have retained Macpherson's argument about the conservative nature of Douglas social credit and looked for Alberta Social Credit's leftist tendencies elsewhere. Scholars had always recognized that, due to constitutional limitations and regional traditions, Aberhart changed some portions of Douglas social credit. The revisionists have enlarged the field of influences and examined them more carefully. Elliott stresses that Calgary communist H.B. "Hilly" Hill directly shaped Aberhart's famous 1933 Yellow Pamphlet so that it reflected some of Hill's socialist and authoritarian ideas. Elliott also argues that some of Aberhart's ideas were borrowed from the utopian novels of Edward Bellamy. Finkel largely attributes the party's left wing platforms to its grass roots activists.

Contemporary scholarship has again influenced the way the revisionists view Social Credit. American scholars, in particular, have partially recast the images of populism and fundamentalism. Many scholars now see American populism as a rational, democratic, and forward-looking response in a given region of a coalition of groups with varying traditions of activism but a shared sense of grievance and desire for change.[23] Even scholarly estimations of fundamentalism's reaction to modernism are less value-ridden.[24] In Canada, there is also greater sympathy for arguments based on a strong provincial rights stance, and Ottawa's centralizing tendencies are now more apt to be seen as excessively costly interferences in provincial rights.[25] Elliott's writing reflects mainly the changes in fundamentalist historiography, Finkel's, the changes in populist historiography.

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[22] Macpherson's view of a natural congruity between class and ideology has also been heavily criticized. See Leiss, *C.B. Macpherson*, 69-71.

[23] Lawrence Goodwyn, *The Populist Moment: A Short History of the Agrarian Revolt in America* (New York: Oxford University Press, 1978); Stanley B. Parson, et.al., "The Role of Cooperatives in the Development of the Movement Culture of Populism," *Journal of American History* 69:4(1983), 866-85. On the difficulties conceptualizing populism, see Margaret Canovan, "Two Strategies for the Study of Populism," *Political Studies* [Great Britain] 30:4(1982), 544-52; Helmut Dubiel, "The Specter of Populism," *Berkeley Journal*

Interpretations of Aberhart as manipulative and authoritarian have also been modified. Elliott partially challenges the view of Aberhart as an authoritarian by arguing his ideology combined right- and left-wing elements. Finkel's investigation of grass roots influence on early Social Credit policy rests on the membership's independence from the leadership and, therefore, implicitly undermines suggestions that Aberhart had dictatorial control at that time. Nevertheless, in keeping with earlier interpretations, Finkel sees Aberhart as an incipient dictator. Like Macpherson, Finkel employs class analysis in arguing that, once in government, the *petit bourgeois* Aberhart, and his lieutenant Ernest Manning, captured the democratic left-leaning grass roots movement that was Social Credit and redirected it towards conservative social, political, and economic goals.

In general, however, the revisionists seem less wedded to hard-edged theories and types of analysis. At least implicitly, they have challenged the wholesale application of theory based on a particular type of movement to Social Credit. The revisionists' suggestion of a cleavage in beliefs between the membership and the leadership along a left-right political axis contradicts the notion that Social Credit can be understood as a singleminded movement.

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of Sociology 31(1986), 79-91. Robert M. Collins provides an interesting analysis of Hofstadter's motivations in writing *The Age of Reform* ("The Originality Trap: Richard Hofstadter on Populism," *Journal of American History* 76:1[1989], 150-67).

[24] In particular, see Ernest R. Sandeen, "Toward a Historical Interpretation of the Origins of Fundamentalism," *Church History* 36(March 1967), 66-83; Sandeen, *The Roots of Fundamentalism: British and American Millenarianism, 1800 - 1930* (Chicago: University of Chicago Press, 1970); Sandeen, "The Princeton Theology," *Church History* 31(Sept. 1962), 307-21; George Marsden, *Fundamentalism and American Culture* (Oxford: Oxford University Press; 1980); Marsden, "Fundamentalism as an American Phenomenon: A Comparison with English Evangelicalism," *Church History* 46(June 1977), 215-32.

[25] For one recent example, see Robin Fisher's *Duff Pattullo of British Columbia* (Toronto: University of Toronto Press, 1991).

Indeed, Finkel argues that Social Credit was more accurately a loose coalition of groups. Finkel's class analysis is somewhat more flexible than Macpherson's, which suggested ideological beliefs could be assigned on the basis of class derivation.[26] Still, as suggested, Finkel often relies on the equation of Aberhart's beliefs to petit bourgeois values to explain his motivations.

The revisionists have reacted differently to the basic discontinuities in Social Credit history identified by earlier scholars. Elliott accepts the significance of those discontinuities for understanding Social Credit. At the same time, he erects a new discontinuity, the transition in Aberhart's religious rhetoric and, ultimately, his religious beliefs, from fundamentalism to the social gospel. Finkel also erects a new, overarching discontinuity: Social Credit's transition from left-radicalism to arch-conservatism. In doing so, in fact, he barely mentions the discontinuities that previous scholars used to bracket the phases of Social Credit's history. Finkel's work is symptomatic of another trend in revisionist works: the decreasing attention paid to Douglas social credit.

There seemed every reason for revisionists not to study Douglas social credit. Scholars have generally admitted that Douglas's explanation of social credit is difficult to grasp, not because of the complexity of the concepts so much as the "amazing obscurity of style" and "unusual elusiveness of expression" of the author's writing.[27] Some have even implied that Douglas's elusiveness was an intentional ploy to hide the flawed foundations on which his theories perched.[28] In any case, Macpherson's study of Douglas social credit ideology appeared beyond reproach.[29] One recent analyst concluded that, in explaining Douglas social credit, Macpherson revealed "a remarkable capacity for presenting another thinker's position, even and indeed especially when he disagrees with it, in concise, fair, and lucid terms; in fact the result appears to be an improvement upon the original."[30] Revisionists considered research elsewhere more likely to be rewarding. They generally concluded, as earlier scholars had, that Aberhart never understood Douglas social credit and that the distorted understanding he did have was not fundamental to his belief system and was willingly abandoned not long after he became premier. Finkel's full length treatment of Social Credit is a logical outcome of this trend. Entitled *The Social Credit Phenomenon*, it does not discuss the phenomenon of social credit. Although Elliott pays more attention to Douglas social credit, his interpretation breaks no new ground.

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[26] Writing later about his approach while working on *Democracy in Alberta*, Macpherson stated: "My assumptions were that classes have class interests, and have class positions which set limits to the policies which might succeed; that classes are more or less conscious of their position; and that with historical hindsight we can try to say whether their consciousness of their position at any turning point in their history was more or less accurate ..." (Macpherson in *The Canadian Forum* [January 1955] as quoted in Leiss, *C. B. Macpherson*, 69).

[27] Maurice Dobb, *Social Credit Discredited* (London: Martin Lawrence, 1936), 10; Finlay, *Social Credit*, 61, 93, 96

[28] W.R. Hiskett and J.A. Franklin, *Searchlight on Social Credit* (London: P.S. King & Son, Ltd., 1939); W.R. Hiskett, *Social Credits or Socialism: An Analysis of the Douglas Credit Scheme* (London: Victor Gollancz Ltd., 1935)

The revisionists' interpretation has been slow to win acceptance in more general histories of Canada[31] and has already met with some criticism. David Laycock, while accepting working class participation in Alberta Social Credit, doubts its impact on early Social Credit ideology.[32] My own work questions whether the revisionists mistake grass roots participation in the early movement for influence on its policies and argues that Douglas social credit ideas must be returned to the centre of our understanding of Alberta Social

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[29] Finkel, *Social Credit Phenomenon*, 6

[30] Leiss, *C. B. Macpherson*, 63

[31] See R. Douglas Francis, Richard Jones, and Donald B. Smith, *Destinies: Canadian History Since Confederation* 2nd ed. (Toronto: Holt, Rinehart and Winston of Canada, Ltd., 1992); J.L. Granatstein, et. al., *Nation: Canada Since Confederation* 3rd ed. (Toronto: McGraw-Hill Ryerson Ltd., 1990); D.N. Sprague, *Post-Confederation Canada: The Structure of Canadian History Since 1867* (Scarborough: Prentice-Hall Inc., 1990).

[32] In general, Laycock's portrayal of Social Credit ideology falls within the earlier tradition of Macpherson and Irving. In my view, Laycock too frequently assumes the ideas of 1935 and 1943 can be considered part of a single discourse. He ignores changes in ideas introduced by Aberhart's disputes with Douglas and by the backbenchers revolt and misses important aspects of underlying continuity in Aberhart's ideas (*Populism and Democratic Thought in the Canadian Prairies, 1910 to 1945* [Toronto: University of Toronto Press, 1990]).

Credit.[33] While nearly all scholars have viewed Alberta Social Credit in terms of discontinuities, based on my study of the Alberta Treasury Branches, I argue that some of Douglas's ideas strongly influenced the government's policy formation, including its economic policies, into at least the mid-1950s. Even after that time, the government remained dedicated to what it called "the Social Credit way of life." Colleen Judge also suggests some continuity when she argues that, around the time of the Second World War, Social Credit ideology evolved from its earlier monetary reform ideas into a comprehensive social philosophy that guided the government into the future.[34]

The revisionist studies, while focussing more on grass roots participation, have cast into doubt previous understandings of Alberta Social Credit ideology without offering a substantive new interpretation.[35] Recognizing the problem, Edward Bell and Peter Sinclair have both suggested the need for a re-examination of Social Credit ideology taking into account leadership, class, mass support, and the actual policies pursued by the government.[36] In the following chapters, I meet some but not all of the criteria suggested by Bell and Sinclair. I pay less attention to class and to the basis of Social Credit's mass support and more attention to leadership and ideas.

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[33] Bob Hesketh, "The Company A, Company B Charges: The Manning Government, the Treasury Branches and Highways Contracts" (M.A. Thesis, University of Alberta, 1989); Hesketh, "'Following Devious Routes to Social Credit': Aberhart, Manning, and the Alberta Treasury Branches," unpublished paper, 1989; Hesketh, "From Crusaders to Missionaries to Wives: Alberta Social Credit Women, 1932 - 1955," *Prairie Forum* 18:1(1993), 55-77

[34] Colleen Judge, "The Manning Administration, Municipal Finance and the Social Credit Way of Life," (M.A. thesis, University of Alberta, 1990)

[35] As used in this thesis, ideology is defined as "an action-oriented system of beliefs capable of explaining the world and of justifying decision, of limiting and identifying alternatives and of creating the most all-embracing and intensive social solidarity possible"(Paul Sigmond, *The Ideologies of Developing Nations* as quoted in Bruce B. Lawrence, *Defenders of God: The Fundamentalists Revolt Against the Modern Age* [San Francisco: Harper & Row, Publishers, 1989], 76).

[36] Bell, "The Petite Bourgeoisie," 65; Peter R. Sinclair, "Social Credit and social class: A comment on 'The petite bourgeoisie and Social Credit: a reconsideration," *Canadian Journal of Sociology* 14:3(1989), 391; Edward Bell, "A Reply to Peter R. Sinclair," in Ibid., 393-94

My thesis covers the period from the formation of the Social Credit movement in Calgary in 1932 to the expulsion of some of the anti-Semitic Douglasites from the provincial government and the national movement in 1947-48. I argue that ideological concerns were central to most of the decisions of the Alberta Social Credit government during these years. The most important source of Alberta Social Credit ideology was Douglas social credit as interpreted by Aberhart and Manning. Although the Alberta government consistently tried to implement social credit in the period examined, Douglas was seldom happy with its performance. An understanding of the differences between Douglas and Aberhart (and later Manning) can shed light on many of the government's actions during this period. The first step to such an understanding is to re-examine what Douglas meant by social credit.

Chapter 2 contends that Macpherson's analysis of Douglas social credit was badly flawed. Macpherson underestimated the vital importance of Douglas's conspiratorial understanding of history and incorrectly concluded that Douglas social credit was conservative and pro capitalist. Douglas's schemes for instituting social credit actually called for a radical redistribution of the ownership of the means of production leading to a bondholder society in which only a gutted form of capitalism would survive.

Chapter 3 examines Aberhart's understanding of Douglas social credit to the early spring of 1935, with particular emphasis on his religious beliefs. Aberhart was attracted to social credit by Douglas's conspiratorial understanding of history which paralleled his own religious-based understanding of evil and his growing anticipation of an impending apocalypse. Aberhart social credit was not the same as Douglas social credit, but it was closer than scholars have allowed. Reflecting Douglas's schemes for instituting social credit, Aberhart called for a strong state apparatus and a radical change in the ownership of the means of production within Alberta. The official ideology of Social Credit was leader-defined and did not reflect class origins.

Chapter 4 looks at the popular appeal of Aberhart social credit and at the changes in Aberhart's explanations of social credit in the last months leading up to the 22 August 1935 election. In spite of ongoing quarrels with Douglas, Aberhart hoped to secure his help and consequently adopted a purer Douglas version of social credit in the final weeks of the campaign. In keeping with his religious beliefs, however, Aberhart rejected Douglas's political theory which seemed to delegate to experts an individual's right to make moral decisions. Although Aberhart's involvement in Social Credit led toward a social gospel orientation, fundamentalist beliefs continued to dominate his understanding.

Chapter 5 discusses the Aberhart government's efforts to enact social credit from August 1935 to the backbenchers' revolt in March 1937. Rather than trying to weasel out of his election promises, Aberhart worked consistently to implement social credit. Because scholars have understood social credit in terms of narrow monetary theory, they have missed the interlocking nature of Aberhart's social credit strategy. Once Aberhart recognized the constitutional blockages to legislating social credit, he favoured a gradual implementation of social credit policies. The backbenchers finally decided Aberhart was too timid and looked to Douglas for bolder leadership.

Chapter 6 concerns Douglas's influence on Alberta Social Credit's economic and political ideas from the backbenchers' revolt to the introduction of the Interim Program in 1938. Scholars have paid too little attention to the differences between Douglas's strategy of battling finance as a necessary precursor to the implementation of social credit and Aberhart's non-confrontational strategy of gradualism. Under Douglas's leadership, the government was temporarily and reluctantly ruled by experts. More enthusiastically, it engaged in dramatic attacks on Finance, adopted Douglas's conspiratorial understanding of the world -- for the most part, minus Douglas's anti-Semitism -- and, perhaps ironically, began to articulate clearer support for individualism. Continuing constitutional blockages and growing public disenchantment soon undermined Douglas's power. The 1938 Interim Program symbolized the partial restoration of Aberhart and a compromise between the strategies of confrontation and gradualism.

Chapter 7 examines the war years and the transition to Manning's leadership following Aberhart's death in 1943. The compromise between the Douglas and Aberhart strategies continued. Alberta Social Credit was alive to the influence of the conspiracy. Its vitriolic attacks on the conspiracy and the conspiracy's primary tactics of socialism and centralization gained in tempo as the war progressed. These attacks paralleled Douglas's public statements. At the same time, the government was dedicated to gradualism to achieve social credit, and it continued to support the Interim Program within the limitations imposed by a war economy. The transition from Aberhart to Manning made little difference to Social Credit ideology. The two leaders were different in temperament but believed in the same things.

Chapter 8 provides an overview of Alberta Social Credit ideology in the immediate postwar era. The compromise between Douglas's strategy of confrontation and Aberhart's strategy of gradualism broke down following the war when Douglas and his supporters in the Alberta and national Social Credit parties rejected gradualism. They wanted a return to the no-holds-barred attacking strategy of 1937. Manning refused, but he did not abandon social credit. The basic directions set under Aberhart remained in place. Alberta Social Credit had, by then, begun to articulate a fairly consistent ideological approach to most questions of government and social relations. It referred to this approach as the "social credit way of life."

Chapter Two

DOUGLAS SOCIAL CREDIT AND THE BONDHOLDER STATE

i

The social credit beliefs that fascinated Aberhart beginning in 1932 and later dominated the thinking of his government were the creation of Major C.H. Douglas. Until he published his theories of social credit, Douglas lived in relative obscurity. He had studied briefly at Cambridge and was a mining engineer. Social credit made him famous through much of the British Empire. He was fond of the life of a country gentleman, enjoyed his own notoriety, and tended to exaggerate his past accomplishments. He had a brilliant mind but was given to conspiratorial thinking and anti-Semitism, and he became increasingly paranoid as the years passed. The instructions in his will and his personal wishes for privacy were respected by his friends and family. His death was marked by the customary press notification. No papers were deposited in any archives and no biography was written.[1]

Douglas attempted to provide in one all-inclusive explanation a theory of history, a system of ethical values, an explanation for poverty when modern industry seemed so obviously able to produce plenty, and a new system of economics that would free the world from poverty, crime, and war without revolution, while still preserving individual liberty and enterprise. His specific monetary theories have been subjected to numerous investigations, while his more general ideology has been studied in two major works: C.B. Macpherson's *Democracy in Alberta: Social Credit and the Party System* and John L. Finlay's *Social Credit: The English Origins.* As mentioned, Macpherson employed class analysis and focussed on the resonance Douglas's ideas had for the dominant class of small commodity producers in Alberta. As the title of his book would indicate, Finlay looked at Douglas's ideas in terms of the English and European intellectual heritage from which they sprang.

Macpherson's interpretation seems to have been strongly influenced by three British critics of Douglas: John Lewis, W.R. Hiskett, and Maurice Dobb. Lewis set the trend. He admitted his personal preference for a Soviet system of ownership and confessed his *Douglas*

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[1] Finlay, *Social Credit,* 87-93

Fallacies: A Critique of Social Credit was written to save socialists from falling victim to social credit. He believed social credit's primary appeal was to the middle class because of its illusory promise of saving capitalism without interfering with property rights, profits, profit motives, or private wealth. Social credit was an escape mechanism which allowed the middle class to criticize capitalism without confronting class conflict or the only viable alternative, socialism. Though attractive on the surface, Lewis believed social credit was, in reality, an invitation to fascism.[2] Hiskett concentrated on exposing the fallacies in Douglas's monetary theories but shared Lewis's preference for socialism, including a nationalized central bank.[3] Dobb reiterated Lewis's fears that social credit was no more than a surface treatment of the maladies of capitalism, which, because of its appeal to the middle class, could be subject to use by fascists. He, too, argued that meaningful reform required the planned economy and controlled profits of the Russian system.[4] Like Lewis, Hiskett, and Dobb, Macpherson concluded that Douglas's theories were a conservative defence of capitalism that threatened an authoritarian system. On the former count, at least, Macpherson was wrong.

Finlay situated many of Douglas's ideas within three principle strains of monetary thought in Britain. First, from underconsumptionism, Douglas derived the idea that economic slumps were caused by blocks to consumption rather than problems in productive capacity. Underconsumptionism traced the problem of restricted commerce to restricted credit and sometimes identified a financial conspiracy as the responsible agent. If real credit reflected the actual productive capacity of society, underconsumptionists reasoned, the potential of the machine would be released and man would be freed from poverty forever. J.A. Hobson's turn-of-the-century argument that a lack of consumption in the home market led to competition for external markets and ultimately to imperialism and war directly inspired Douglas's position on exports. Second, from distributism, Douglas derived neo-medieval ideas about just prices and surplus wealth rightfully being used for the benefit of the community.

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[2] John Lewis, *Douglas Fallacies: A Critique of Social Credit* (London: Chapman & Hall Ltd., 1935)

[3] Hiskett, *Social Credits or Socialism;* Hiskett and Franklin, *Searchlight on Social Credit*

[4] Dobb, *Social Credit Discredited*

Unlike medievalism, distributism accepted technology. It saw property vested in the many as a protection against monopoly -- unlike socialism, which would only entrench capitalism with its tendencies towards increasing inequality. The third major influence on Douglas came from a loose collection of thinkers and writers grouped around A.R. Orage and his journal, *The New Age*. Through his journal, Orage promoted the ideas of many unorthodox monetary theorists. Here, Douglas was exposed to guild socialism, Marx's argument that capitalists included surplus value stolen from the workers in prices, and the functionalist belief that the individual should relinquish his authority to the group only when attached to a specific function. Running through each of these three strains of thought was a strong current of anti-Semitism. The concept of social credit, itself, was Douglas's own invention.[5] Though largely ignored by Finlay, there was a fourth major influence on Douglas's ideas: *The Protocols of the Elders of Zion.*

The Protocols was the purported plan of a secret Jewish Government (the Elders of Zion) to achieve world-domination. In 1921, *The Times* of London revealed that *The Protocols* was a forgery, traceable to the Tsarist secret police. Nevertheless, *The Protocols* remained influential in such nations as Germany, where it was cited as evidence of a Jewish conspiracy that had contributed to the nation's defeat in the First World War, and the United States, where it enjoyed wide circulation in the army and military intelligence and reinforced existing anti-Semitic tendencies.[6] In England, *The Protocols* were, for a time, printed by one of Douglas's publishers, the London firm of Eyre and Spottiswoode.

Douglas regarded *The Protocols* as a remarkable document outlining "a Machiavellian scheme for the enslavement of the world." Typically, he argued that the authenticity of *The Protocols* was "of little importance; what is interesting about it is the fidelity with which the methods [described in *The Protocols*] by which such enslavement might be brought about can be seen reflected in the facts of everyday experience." Such accuracy of detail, he suggested, could only be regarded as "Satanic."[7] Finlay has suggested that Douglas differentiated between ordinary Jews and those supposedly involved in the conspiracy and has argued that Douglas's ideas were not so much anti-Semitic as an "extreme form of religio-philosophic propaganda."[8] Elliott has countered that "[i]t is more likely that his [Douglas's] economic analysis was an *ad hoc* invention to fit his anti-Semitic bias."[9] Elliott's argument is tempting but probably exaggerates Douglas's anti-Semitism when he first began writing about social credit. As will be discussed later, through the 1920s, Douglas combined references to a Jewish conspiracy with a pretence of opposition to anti-Semitism. At other times, and with similar pretence, Douglas linked the Roman Catholic Church to the campaign to enslave mankind, while excusing the members of the church. "[W]hen stripped to its essentials," Douglas argued, "the Roman claim is a claim for the surrender of individual judgement and, in any important crisis, of individual action. That is one reason why Roman Catholics are so successful in the army, and it is the great reason why the Hierarchy of Rome, as apart from the many delightful personages to be found in it, is a danger to peace, freedom and development, wherever it is entrenched."[10] He also made disparaging remarks about various foreign influences in Britain. One suspects that if Douglas had not chosen anti-Semitism he would have found an adequate substitute elsewhere. At the start, he seems to have adopted many of the ideas in *The Protocols* because they suited his analysis of history. Later, as Elliott argues, his anti-Semitism grew, until he eventually implied that genocide against Jews was justified.

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[5] Finlay, *Social Credit*, chapters 3-4, 98

[6] Norman Cohn, *Warrant for Genocide: The Myth of the Jewish World-Conspiracy and the Protocols of the Elders of Zion* (New York: Harper Torch, 1969); Robert Singerman, "The American Career of the Protocols of the Elders of Zion," *American Jewish History* 71:1(1981), 48-78

From *The Protocols* Douglas drew much of his understanding of the workings of the conspiracy. A reader of *The Protocols* would learn that the source of the Jewish conspiracy's power was its control of gold and industry. Its goal was power, to be realized ultimately in a world dictatorship. Its policy was collectivism, the centralization of government. Collectivism ran counter to the trend of nature itself, which was to increased differentiation and individuality. The conspiracy's enemy was personal initiative which drew strength from a landed citizenry. The conspiracy planned to enslave the individual through economic hunger -- through the basic need for daily bread. It would use any tactic to achieve its goal. It attempted to fasten debt on land owners, employed Masonry as its tool, controlled boom and bust cycles, and fostered anti-Semitism, both to control ordinary Jews and to promote their dispersion to all nations where they waited for the bidding of their masters. The conspiracy was behind socialism and communism -- the supposed cures of the existing system. It was the hidden hand controlling governments through debt. It controlled police forces and armies, newspapers and political parties. It knew that party dissension divided the people, hindering agreement even on perfectly reasonable propositions. Equality of the citizenry was a myth propagated to hobble the best within society.[11]

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[7] Douglas, *Social Credit*, 146-47

[8] Finlay, *Social Credit*, 104-05

[9] Elliott, "Anti-Semitism and the Social Credit Movement," 79. Elliott argues that Douglas's anti-Semitism grew from his relationship with the British underconsumptionist Arthur Kitson.

[10] Douglas, *Control and Distribution of Credit*, 165

As Finlay points out, national and international events lent credence to many of Douglas's ideas in the first decades of the twentieth century. These were the years of crisis for liberal orthodoxy in Britain. Convictions about the wisdom of free trade were undermined by Britain's decreasing share of world trade as other nations industrialized and adopted protectionist policies. Within Britain, declining agriculture, amalgamation movements in industry and banking, widespread union action, growing state involvement in the economy, and increasing poverty, together, provided visible evidence of the failure of liberalism. The First World War brought more state control over prices, production, and wages. When the London money markets lacked confidence in the Bank of England, the government stepped in and provided backing. The war, itself, was paid for by borrowing. The war revealed the potential productive capacity of the nation and the possibilities of a higher standard of living, but, by the summer of 1920, the boom was over. In Finlay's terms, the 1920s made the "poverty of liberalism patent." Poverty and high unemployment contrasted with garish displays of wealth by the well-to-do, while surplus production was destroyed. Amalgamation movements and informal pricing agreements continued even as a series of financial scandals and increasing conflict between capital and labour rocked Britain.[12]

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[11] The Representatives of Zion *The Protocols of the Learned Elders of Zion* n.p., n.d.

[12] Ibid., chapter 1, quote at 13

Finlay did not suggest the need for a major revision of Macpherson's interpretation of Douglas social credit, but his understanding of the radical heritage of some of Douglas's ideas and his greater appreciation of the impact of conspiratorial thinking on Douglas are suggestive. Unfortunately, the publication of Finlay's book corresponded to the years when Canadian scholars writing about Social Credit began to pay less attention to Douglas's ideas. Perhaps for that reason, the earlier and less reliable work by C.B. Macpherson has continued to dominate scholarly understanding of Douglas's ideas. As will be shown, Macpherson missed the radical implications of many of Douglas's ideas.

ii

The impact Douglas's ideas had for some contemporaries can more readily be understood within the context of his overall belief system. Douglas's explanations of why modern industry produced poverty in the midst of plenty reflected his understanding of the history of the money system and the rise of modern industrial capitalism. His view of history was simplistic. He emphasized what he believed were determining events and ignored everything else. On one level, his explanations of these determining events changed little from the time he published his first work after the First World War to the 1930s when Aberhart began studying social credit. They were ritualistic accounts he could repeat verbatim at a moment's notice. On another level, however, Douglas's world view during these years became progressively enmeshed in a conspiracy theory that purported to explain past and contemporary events. He became convinced that a financial conspiracy, Jewish in nature and international in scope, was shaping world events in order to establish a world slave state. To the 1930s, Douglas had basically identified three stages in the development of the financial conspiracy. An understanding of his overall belief system may be gained by examining those three stages.

In the first stage, the production of goods and services by the producing community was divorced from the production of money, which became the province of financial institutions. Douglas habitually began his interpretation of this first stage with a description of the small producer in a pastoral community who exchanged his product directly for other products he required. In time, this barter system was altered by the introduction of tokens, or money, issued by that producer and representing his real product in the ratio of one unit of money to each unit of real property. As the pastoral community prospered and became more complex, abuses such as fraud and inflation began to appear, together with a nascent credit and banking system made up of experts who could handle such abuses. Portable wealth, such as silver and gold coins, began to replace the tokens representing real products. Next, the goldsmiths became the custodians of this wealth and they began to issue receipts -- "the ancestors of our modern bank notes" -- to replace the actual silver and gold coins. Over time, merchants accepted the goldsmith's receipts as money "because of the signature of the goldsmith on the receipt and not because of the name of the owner of the real wealth." Almost imperceptibly, the issuance of money was shifting from the owners of the wealth to the custodians of the wealth. Then, the goldsmiths and, later, the banks began to issue receipts in excess of the tangible wealth they possessed. By the close of the first stage, real wealth was no longer in balance with financial wealth and, no matter how much real wealth a community of producers might create, they were incapable of producing one penny's worth of purchasing power.[13] The banks controlled the creation of financial wealth.

In the second stage of the development of the financial conspiracy, which corresponded with the coming of the industrial revolution, the monopoly that financial institutions had over credit creation progressively increased their power over industry, individuals, and governments. In the pre-industrial age, according to Douglas, the worker had owned his tools and determined his business policy. "All craft was handicraft; the equipment of a tradesman was of the simplest; the selling price of the product was practically material cost plus direct labour cost; direct labour cost was indistinguishable from profit, and practically the whole of it was available for the purchase of further material, and the product of other men's industry." With the start of the industrial revolution in the late eighteenth century, however, machine energy was emphasized. To pay for their machines, factory owners borrowed from financial institutions. Douglas believed that most capital expenditures were financed through such borrowing and that financiers had the unlimited ability to create money or credit without costs other than the mechanical processes associated with bookkeeping.[14] Industrialists naturally passed their costs, including the costs of the loans they owed the banks, on to the consumers. At this point in his analysis, Douglas believed he had discovered a fundamental problem that made industrial capitalism inherently incapable of distributing the purchasing power consumers required to obtain the necessities of life.[15] Douglas sometimes described this problem within the context of what he termed society's cultural heritage.

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[13] A useful survey of these views can be found in Douglas's testimony before the Alberta Agricultural Committee (Government of Alberta, *The Douglas System of Social Credit: Evidence taken by the Agricultural Committee of the Alberta Legislature, Session 1934* [Edmonton:The King's Printer, 1934], 78-80).

When Douglas examined capitalism, besides the three values of land, labour, and capital identified by political economists, he identified a fourth, the cultural heritage.[16] The cultural heritage of a country was the cumulative product of that society's resources, inventions, and achievements. In industry, cultural heritage was embodied in "intermediary production," that is in the industrial plant, including its machinery and modern productive processes. Douglas's famous A + B theorem was his proof that the costs of intermediary production were passed on to consumers in the form of prices for the articles produced but not as purchasing power through such means as wages. He usually explained that A represented wages, salaries, and dividends (the purchasing power released to ultimate consumers of goods), while B represented bank charges and overhead and raw material costs (the costs of intermediary production). The cost of production was A + B in any production cycle but only A was released as purchasing power, resulting in a shortage of purchasing power for consumers.[17]

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[14] Major C.H. Douglas, *The Monopoly of Credit*, 3rd ed.(Gateshead on Tyne: Northumberland Press, 1958), 110; Douglas, *Social Credit* (London: Eyre & Spottiswoode, 1934), 132; Douglas, *The New and Old Economics: A Reply to Professor D.B. Coplend, M.A., D.Sc., and Professor Lionel Robbins, D.Sc.* (Edinburgh: The Scots Free Press, 1936), 34; Douglas, *Major C.H. Douglas Speaks* (Sydney, New South Wales: Douglas Social Credit Association, 1933), 35

[15] Major C.H. Douglas, *Credit-Power and Democracy, with a draft scheme for the mining industry* (London: Cecil Palmer, 1921), 40

[16] Douglas, *Social Credit*, 49. Macpherson points out that the concept of cultural heritage was already embodied in the values of land, labour, and capital (*Democracy in Alberta*, 118).

[17] C.H. Douglas, *Economic Democracy* (London: Cecil Palmer, 1921), 72

When critics challenged Douglas that B payments had been released as purchasing power in a previous cycle, he responded with his time lag theory. The time lag theory explained that the issue of B payments as purchasing power in a previous cycle preceded the release of the actual goods on the market. Current purchasing power was always being spent on past production. The "[d]ifference of circuit velocity between cost liquidation and price creation" resulted in "charges being carried over into prices from a previous cost accountancy cycle. Practically all plant charges are of this nature, and all payments for material brought in from a previous wage cycle are of the same nature." Consequently, the community could never buy all that was produced. Furthermore, all money was created as debt that had to be repaid to banks. Banks charged interest for lending money to business to pay for intermediary production -- the community could not possibly repay the principal and the interest since it would have to pay back more money than had been issued. Somehow, a method had to be found by which money would be restored to the producer of capital goods as soon as they were produced but only charged to the consumer at the rate at which they were used up. [18]

As a result of the shortfall of purchasing power, production and consumption were inevitably out of balance. Consumers lacked the necessary purchasing power to buy all of industry's products. The industrialists had to pass their limited earnings back to the banks in repayment for the loans they had obtained to finance their intermediary production.[19] Debt charges ate up most of their profits and they were left with unsold products. To finance the next cycle of production, they had to seek further credit advances, but borrowing only led to more borrowing and more debt.

Douglas's analysis of the second stage in the development of the financial conspiracy revealed three mutually reinforcing trends as production cycle followed production cycle. First, competition and bank debt emphasized efficiency and profits. Industrialists tried to reduce costs through wage cuts to workers but wage cuts just further reduced consumption. They also tried to increase profits through improvements in process, most particularly by investing in advanced machines to replace workers or inefficient machines. Such improvements meant borrowing larger sums from banks. Any temporary decreases in costs due to improvements in process were more than offset by the costs of the loans to finance those improvements.[20] As a result, finance gained a progressively larger share of industry as one production cycle succeeded another. Douglas reasoned that, since the start of the industrial revolution, as machine labour had progressively replaced wage labour, the financial institutions had progressively acquired control over industry. As more and more purchasing power was poured into intermediary production, actual control over the policy of production, including decisions about what to make, quality, and quantity, passed from the producers to the financial institutions providing the loans.[21]

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[18] Douglas, *New and Old Economics*, 19, 27; *Monopoly of Credit*, 46-49

[19] Ibid., 125

Second, individuals were progressively impoverished. Instead of purchasing power being released into the wage stream, more and more was held up to finance intermediary production. Moreover, fewer workers earned purchasing power as machine labour replaced wage labour. Douglas explained the impact on individual workers in terms of the "unearned increment of association." Based on his understanding of history, he identified co-operation as the major change in labour processes from the pre-industrial to the industrial age. Men associated together in modern collective industry, Douglas wrote, "*because they hope, and are justified in hoping, that there is an unearned increment in association*; that they will thereby obtain the required goods and services with less effort than by isolated endeavour."[22] With the increasing role of machine production, the unearned increment of association increased proportionately, but that value was not passed on to the workers.[23] Their jobs were their lifeline to the basic necessities of food, clothing, and shelter, necessary for individual freedom, but modern industry cheated workers of these necessities while forcing them to bow to the authority of an industrial system that was progressively falling under the control of the financial institutions.

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[20] Douglas, *Social Credit*, 95-98

[21] Douglas, *Credit-Power and Democracy*, 89

[22] Ibid., 19

[23] C.H. Douglas, *The Control and Distribution of Credit* (London: Cecil Palmer, 1922), 16

Third, Douglas believed that the power over credit creation gave financial institutions control over the governments of the western industrial nations. These governments had become directly beholden to the banks due to their increased borrowing. Most government borrowing arose from two causes, both attributable to the financial system. First, to counter the harmful effects on the public of the lack of purchasing power endemic to the capitalist system, governments established social safety nets. To pay for these state welfare measures they had to borrow from financial institutions. Second, to make up for domestic shortages of purchasing power, nations engaged in aggressive international trade. At times, Douglas appeared almost to argue against any exports since they depleted the nation's wealth. He certainly viewed the export of British technology and its products as leading to Britain's bondage to primary product exporting nations.[24] The export of British technology had helped other nations industrialize, which increased the competition for trade and led to the adoption of protectionist policies by more and more countries. Ultimately, the competition for export credits among nations led to war.[25] War removed restraints on production, consumed excess production, and released purchasing power. In war, the artificial character of normal financial relations was exposed. Therefore, war threatened the very control of financial institutions.[26] But war also increased the power of those institutions since governments financed wars through borrowing. The cumulative result of borrowing to pay for social safety nets and wars was that the economic policies of the western nations were increasingly subject to the decisions of their financial overlords.[27]

In the latter part of the second stage and the beginning of the third stage of the development of the financial conspiracy, Douglas believed the great financiers had joined together with the deliberate intent of achieving world domination. In many of his early works, Douglas maintained a certain elusiveness about whether the increasing power of the most influential international financiers was the inevitable outcome of the existing economic system or the result of a conscious policy to gain control over mankind. He suggested the existence of a conspiracy, perhaps even on an international scale. He alluded to it having conceived of a conscious policy. He wrote of the enormous and still-growing powers of that small secret corps of evil giants.[28] Yet Douglas also demurred. Thus far, no certain proof of the conspiracy's existence had been discovered. He suggested the participation of local banks and bankers in the plans of the conspiracy, if it existed, was, perhaps, coincidental. The real villains were the powerful financiers, men like Montagu Norman, the Governor of the Bank of England, who, according to Douglas, considered himself a "vice-regent of God upon earth." A favourite Douglas tactic was to compare British suicide rates to business failures, with both corresponding to the term of Norman as governor, and then charge that Norman had been "**directly responsible for more mental and physical misery in the last twelve years than any living man.**" According to Douglas, Norman worked in the shadows; his goings and comings were seldom known except by their disastrous effects on innocent people.[29] Given the shiftiness of Norman and other international financiers, Douglas would ask, was it any wonder that the possible existence of the secretive yet all-powerful conspiracy of Financiers remained unproven?

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[24] Ibid., 86-87

[25] Ibid., 23

[26] Douglas, *Social Credit*, 134

[27] Ibid., 48

Douglas also flirted with anti-Semitism, inserting occasional references in his speeches and writings that suggested the dark purposes and disquieting power of certain Jews. Even as he became more forthright, he feigned ingenuousness and a pretence of opposition to anti-Semitism. Thus, in 1922, he maintained that there was no way of knowing whether the "Jewish Peril," embodied in a great secret organization "bent on the acquisition of world-empire and the overthrow of their enemies" and "capable of using Governments as its tools and the lives of men as the raw materials for the fashioning of its projects," really existed, or if it was "pure moonshine," or even a "malignant stimulus to anti-Semitism." Nevertheless, Douglas continued, the idea "*might* have some foundation in fact." After all, there were more Jews in important positions in Britain than the nation "deserved." Moreover, propaganda menacing humanity by advocating the idea of the Supreme State appeared to derive much of its most active, intelligent support from Jewish sources. Lastly, Douglas warned there was then occurring a grim struggle among the "great international financial groups, many of which are purely Jewish, for the acquisition of key positions from which to control the World-State when formed." Of course, Douglas hedged, he was not referring to the average British Jew. To prevent the outbreak of an anti-Semitic backlash he insisted as much daylight as possible should be thrown on the matter.[30]

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[28] Douglas, *Control and Distribution of Credit*, 21

[29] Douglas, *Douglas Speaks*, 37-38, 74-75

Douglas did not contribute much daylight to the issue himself. Through the 1930s, anti-Semitism increasingly dominated his understanding of the world, paralleling and reinforcing his increasing willingness to state with certainty that there was an organized conspiracy of financiers, international in scope, growing in power, and consciously pursuing the enslavement of mankind.

The primary policy the financial conspiracy employed to augment the power it gained through its monopoly over credit creation was pyramidal centralization. Douglas did not believe that Finance's goal was wealth. After all, it could create all the money it wanted without any cost. Rather, the financial conspiracy was ultimately motivated by the desire for power, itself. Douglas saw in the process of centralization the delegation of the individual's decision-making power to the collective.[31] The pyramid symbolized this delegation of power. In Douglas's view, the pyramid represented an ideal form of organization for securing specific and material ends (administration) but was totally unsuited to deciding what to do and who should do it (policy).[32] Under the centralized pyramidal control practised by the conspiracy, the volition of the individual at the base, including his freedom to influence policy, was subordinated to the power at the apex. To allow a pyramidal organization to decide questions of policy in this way was to fall victim to dictatorship. It mattered little whether the system was labelled socialist, fascist, or communist; the contest was between authority and freedom, between external compulsion and internal initiative.[33] The ultimate expression of Finance's will to power, according to Douglas, was a Utopian vision of collectivism to be realized in a "centrally controlled world in which everyone lived under uniform conditions, elaborated on the basis of statistics,"[34] a world in which the individual's freedom to make decisions would be completely subordinated to the "Jewish" ideal of the group.[35] Centralization based on the pyramidal model and leading to the subservience of the individual to a supreme power could already be seen in the postwar years in business organization, trade unions, government, the League of Nations, and in Finance, itself.

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[30] Douglas, *Control and Distribution of Credit*, 120-22

[31] Ibid., 30-31

[32] Douglas, *Economic Democracy*, 28

[33] Ibid., 83

Although pyramidal centralization of business was initially emphasized with the coming of the industrial revolution in the hope that larger units of production could provide easier access to credit, cost-saving efficiencies, and greater profits, Douglas believed the supposed benefits were illusory.[36] The larger business unit still depended on Finance for credit. It could not escape from the vicious cycle of debt which was making producers the lackeys of Finance and leading capitalism to its ultimate doom. Pyramidal centralization directly robbed the individual worker of decision-making power. The worker was alienated within the modern industrial process. He was incorporated "into a machine-like system of which every part is expected to function as systematically as a detail of the machine which he may operate."[37] In obeying the orders of a superior, workers surrendered individual initiative and responsibility. They became the "mere material for a policy," the cannon-fodder of industry.[38]

Modern industrialism removed workers from their local industries and collected them together in centralized giant factories, encouraging the regimentation of workers into classes. When the Education and Ecclesiastical systems advocated obedience to authority, they aided and abetted this regimentation. As the buying power of workers steadily decreased, while machine labour increased, workers joined trade unions to protect their interests. In Douglas's view, trade unions were bound hand and foot to the capitalist system they professed to attack. They did not represent individuals. They were monopolies, with the same objective of exploiting the public as trust monopolies.[39] As business organized on one side, and labour on the other, discontent on a class basis increased. Douglas argued that the false struggle between capital and labour divided the community into factions and obscured the role played by their single enemy -- Finance.[40]

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[34] Douglas, *Douglas Speaks*, 69

[35] Douglas, *Economic Democracy*, 83; Douglas, *Social Credit*, 30

[36] Douglas, *Monopoly of Credit*, 112; "The Draft Scheme for Scotland with Commentary by English Credit Study Group," in Douglas, *Douglas Speaks*, 92, 97

[37] Douglas, *Economic Democracy*, 40-41

[38] Ibid., 52

Pyramidal centralization also subordinated the individual to the State. The organization of the state based on centralized pyramidal control had been pioneered in Bismarck's Germany, a nation, Douglas suggested following the First World War, which was "notorious for bestiality and inhumanity only offset by slavish discipline." [41]In 1921, Douglas argued that a major campaign to transfer the German form of centralized pyramidal control to other nations was imminent.[42] He saw through the calls for nationalization, technocracy, and socialism as cures for the defects in the existing social system allegedly produced by excesses of private privilege. Nationalizing productive industry was dangerous due to Finance's already significant control over both industry and government. It was an insidious means of backing Finance's power with State authority. Nationalizing banks was even more dangerous. It would directly combine the power of Finance with the power of the State, while simultaneously increasing centralized pyramidal control. In the early 1930s Douglas wrote: "It is very questionable whether at the present time the banking system is not a great deal stronger than the governmental system. If it were incorporated in the governmental system without change, I see no earthly power which could reform it successfully without a military revolution."[43] Technocracy was seen by Douglas as the same in essence as fascism or nationalization. Technocracy was backed by the financiers, particularly Jewish financiers connected with the University of New York such as Bernard Baruch.[44] Socialism would vest the control of policy in administration, increase inefficiency due to excessive centralization, and allow the state to apply economic pressure on the individual.[45] Socialism posited a sham conflict. Its backers were the tools of Finance. The real goal of socialism was the transfer of private privileges "to an international plutocracy under the cover of their transfer to 'the public' or 'the nation'."[46]

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[39] Douglas, *Control and Distribution of Credit*, 169, 131

[40] Ibid., 37

[41] Douglas, *Economic Democracy*, 23

[42] Ibid., 23; Douglas, *Control and Distribution of Credit*, 21

[43] Douglas, *Douglas Speaks*, 83

Douglas believed that Finance's control of the State posed the greatest danger mankind faced. The real power behind the ostensible governments of such nations as Great Britain and Canada was to be found in the Hidden Government of the financial conspiracy. In Douglas's mind, the nightmarish implications were obvious:

> Just think what it means. Two or three great groups of banks and issuing houses controlled by men, in many cases alien, and even anti-British alien, by birth and tradition, international in their interests and quite definitely anti-public in their policy, not elected and not subject to dismissal, able to set at naught the plans of governments; producing nothing, and yet controlling all production . . . To such, Ministers of the Crown are servants appointed to take orders, and dismissed if they are negligent in the execution of them; wars, famine and desolation are simply mechanisms by the aid of which their control is conserved.[47]

According to Douglas, most newspapers and professional economists were the lackeys of Finance as well.[48] Political parties were mere "window dressers" acting at the behest of Finance. Ultimately, Douglas believed that the financiers' monopoly over credit creation made them "the potential or actual owners of everything produced in the world."[49] The control of the money system meant "the control of civilised humanity."[50] Such was the real purpose of the League of Nations.

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[44] Ibid., 89-90

[45] Douglas, *Control and Distribution of Credit*, 43

[46] Douglas, *Monopoly of Credit*, 4-5, 13

[47] Douglas, *Control and Distribution of Production*, 125-26

[48] Douglas, *Monopoly of Credit*, 1-4; Douglas, *Control and Distribution of Credit*, 106

[49] Douglas, *Douglas Speaks*, 59

[50] Douglas, *Social Credit*, 132

In the postwar era, Douglas became convinced that, for the first time, Finance was seeking to organize its ultimate expression of a world slave state through the League of Nations. The League gave physical embodiment to the "international idea" that progress consisted in breaking down social and national differences.[51] The League also presaged the creation of a centralized world military force behind the power of the existing financial system.[52] According to Douglas, "the *very core of the League of Nation's idea is power, final and absolute*; it is, therefore, *an organisation expressly designed to eliminate administration by suppressing individuality*, to make the Machine supreme over Man." Dissenting individuals and nations would be eliminated so that, in theory, no effective will would remain, "save that which reaches its highest expression in the apex of the perfect Pyramid of Power, which is its object."[53] The attempt to centralize military power in the League was one component of a larger plan of Finance which included the military and economic disarmament of its enemies. Douglas equated military disarmament with the enfeeblement of the individual and he lambasted the pacifists as tools of the conspiracy.[54] When it came to economic disarmament, he had no doubt that, after the First World War, Britain was the primary target of Finance.

Douglas believed that, despite obvious defects, "the Anglo-Saxon character probably remains the greatest bulwark against tyranny that exists in the world today," but he was, nevertheless, deeply pessimistic about Britain's future.[55] In the postwar era, the headquarters of the international financial conspiracy had passed from the Bank of England to the Federal Reserve Board of the United States. Subsequently, the Bank of England's policies had become definitely hostile to Britain.[56] One by one, Douglas considered Britain's post-war problems -- increasing unemployment, factory closures, decreasing property values, an increased cost of living, and strikes -- and attributed them to the conspiracy's efforts to reduce Britain's industrial capacity, promote social disintegration, and leave Britain psychologically, politically, and militarily isolated.[57] The Bank Act of 1928, which Douglas interpreted as finally and completely relinquishing the state's sovereign rights over finance to the Bank of England, was part of the global strategy to vest state prerogatives in centralized private banks.[58] International Finance, operating through such banks, could manipulate the prosperity of a country independently of any effective national control.[59] By 1933, Douglas, with the advantage of hindsight, was convinced that, from the end of the war, "the whole course of world politics has been directed towards placing [Britain] ... between a European continent which would not pay [its war debts], and a United States which insisted upon payment," with the twin objectives of crippling Britain's economy and forcing a default.[60] The most aggravating aspect of Britain's war debt to the United States was, of course, that 95% of the loans represented "**bankers' credit, merely book-entry-created-money**." Cancelling the debts would mean no more than "**crossing off a number of figures in a book** . . . no one would be a penny the worse."[61] Of course, then all debtors could similarly cancel their debts, which Finance would never allow.

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[51] Douglas, *Douglas Speaks*, 21-24

[52] Douglas, *Economic Democracy*, 138-42. Douglas also detected the hand of the Ultramontane section of the Roman Catholic church behind the League's policies. Douglas, *Control and Distribution of Credit*, 97

[53] Ibid., 99-100, 102

[54] Douglas, *Douglas Speaks*, 19

[55] Douglas, *Social Credit*, 147

Although the United States was benefitting relative to Britain, Finance was taking other steps to secure its dominance within the States. Douglas knew Finance planned to remodel the American banking system according to the British branch system to increase centralized control. President Roosevelt might attack individual bankers, but he was surrounded by the same "ring of financiers" who had assisted in his election. Roosevelt's public works programs would only increase public debt to the bankers. In general, American industrialists were growing weaker compared to the bankers.[62]

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[56] Douglas, *Monopoly of Credit*, 101. Douglas waffled about the exact date when the conspiracy's headquarters shifted to New York. In 1934, he linked the shift to Britain's repayment of its war debt to the United States (*Social Credit*, 160).

[57] Ibid., 160

[58] Douglas, *Monopoly of Credit*, 103

[59] Ibid., 105

[60] Douglas, *Douglas Speaks*, 41

[61] Ibid., 43

Everywhere Douglas looked, Finance appeared to be growing richer and stronger. In 1933, he wrote: "**There is . . . at the present time in full operation an international government of the world operating through the economic system of every country, not elected, not subject to removal by any of the ordinary mechanisms which we apply to political government.**"[63] By then, among other events, he had attributed World War I, the Russian Revolution, and the postwar decline of British influence to the directing hand of the financial conspiracy. In the 1920s, he had predicted that Finance would cause a great depression within a few years. He had suggested disaster was imminent just days before the 1929 stock crash. He now suspected the conspiracy was about to involve itself once more in Russian affairs -- the communist system offered Finance an ideal opportunity for exercising control without responsibility.[64] In any case, Russia's unchecked collectivism, according to Douglas, was due to the direct influence of Jewish leaders.[65] Finance had also intentionally weakened Austria through policies instituted by the League of Nations Financial Committee.[66] In 1934 he suggested that the rise of Hitler was part of the financiers' plot. He predicted that Hitler's emergence in Europe would lead to a second world war by 1940 at the latest. The flawed capitalist system was producing business crises, occasionally interrupted by war, with increasing frequency and intensity.[67] As the International Conspiracy's campaign gained in intensity, Douglas became convinced that either the ultimate "crystallization" of the centralizing process, "having at its apex supreme power and at its base complete subjection," or a radical decentralization of society -- ultimate victory for one side or the other -- was inevitable.[68] An apocalyptic conflict between the forces of reaction and those of progress was imminent.[69] He now saw in almost any elevation of collectivism an appeal away from "the conscious-reasoning individual to the unconscious herd instinct," supposedly exemplified by the Jewish race.[70]

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[62] Ibid., 51

[63] Ibid., 60. Occasionally, Douglas was still ambivalent about the nature of the conspiracy as, for instance, when he testified before the Agricultural Committee of the Alberta Legislature. Such ambivalence appears to have been a purposeful ploy to maintain credibility.

[64] Ibid., 33-34

[65] Douglas, *Social Credit*, 29

[66] Douglas, *Monopoly of Credit*, 97-98

[67] Douglas, *Control and Distribution of Credit*, 32

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Based on his study of history and his identification of the emergence of the financial conspiracy, Douglas concluded that the dominant trend of modern history was running counter to and threatening the entire trend of human evolution and progress. Finance was regressive. It was the voice of reaction. Its program was based on wage-labour driven by economic necessity, the profit motive, and the engrossment of centralized power. But, there was nothing ennobling to individual character in the spur of economic necessity.[71] And man's obsession with wealth obscured the object of scientific progress while placing the worker and the honest man "in a permanently disadvantaged position in comparison with the financier and rogue."[72] Culture, climate, tradition, race, and habit, all belied the idea that the world could be turned into a single undifferentiated unit. As the human personality developed, it became "more individualised and specialised in its outlook, and less and less amenable to one universalised set of conditions."[73] Moreover, the trend of evolution was to subordinate "material to mental and psychological necessity". The material needs of man were limited; attempting to expand those needs artificially through unbridled industrialism was a reactionary policy that would only enhance the obsolete control of Finance.[74] Since material needs were limited, so too were employment opportunities.

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[68] Douglas, *Economic Democracy*, 83

[69] *Ibid.*, 112

[70] Douglas, *Social Credit*, 27-29

[71] Douglas, *Control and Distribution of Credit*, 38

[72] Douglas, *Economic Democracy*, 81

[73] Douglas, *Douglas Speaks*, 69

[74] Douglas, *Economic Democracy*, 72-23

Douglas did not believe man should abandon the benefits of machinery and return to a Medieval pre-industrial age. Although many of the values of Medievalism could be recaptured, man had to retain the "co-ordination in all mechanical organization" which had led to his present-day command over his environment.[75] A desirable system would require a minimum "expenditure of time-energy units," substitute natural forces (power machinery) for human effort, distribute product equitably, and promote all efficiency possible.[76]

Nor did Douglas believe that man should reject the group ideal expressed in pyramidal organization. Rather the submission of the individual to the group must be restricted to the minimum necessary to achieve desired results, while retaining all possible freedom of association.[77] A desirable system would evolve mechanisms which progressively decentralized initiative, largely by displacing the power of centralized finance.[78] Such a system would leave man with more time for leisure, to meet with neighbours, and to develop individual creativity.[79]

Thus, despite Douglas's belief that an apocalyptic conflict with Finance was imminent, he found reason for hope. The trend of Finance towards centralized power, after all, was in opposition to the whole trend of human evolution and human nature itself. Finance's power was based on its control of modern industrial capitalism, but capitalism itself was outmoded, fatally flawed, and unstable.[80] The advance of mechanical progress also threatened to weaken Finance's control over mankind. How long would workers be content to see their standard of living fall while machine labour replaced wage labour? How long before the "Fed-Up in every country,"[81] would see through the false struggle between capital and labour and strike the decisive blow against Finance? Already there were signs of hope in the spread of social credit ideas and organizations to other countries. How long could it be before mankind recognized that social credit offered a cure for capitalism that would ensure victory for the forces of progress?

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[75] Ibid., 84, 99-100

[76] Ibid., 110

[77] Douglas, *Social Credit*, 35

[78] Douglas, *Economic Democracy*, 84, 99-100

[79] Douglas, *Monopoly of Credit*, 81; Douglas, *Social Credit*, 115

[80] Douglas, *Credit Power*, 40, 74

[81] Douglas, *Economic Democracy*, vi

Douglas's cure for capitalism grew out of his understanding of the financial conspiracy's policy and the flaw revealed by the A + B theorem. The goal of Douglas social credit was to destroy Finance's monopoly over credit creation and restore individual volition. The basis of individual freedom was economic. The individual must have the right to a fair economic return for his labour. Man must be rescued from the grasp of Finance and the alienation of the industrial machine. Systems must be made for men, not the other way around. Yet, to be viable, the community must be able to function and the benefits of machine production and pyramidal organization must be retained while authority was decentralized and local initiative and individual volition restored. Douglas revealed how he thought individual freedom could be maximized within a viable modern industrial community when he explained the difference between policy and administration. Setting policy meant deciding what to do and who should do it. Administration was concerned with choosing methods to secure specific and material ends.[82] Policy was the business of the people. Administration was the sphere for experts, who should be free to choose any methods to secure the desired results. Respecting the division between policy and administration provided the only possible means to break the coercive power of pyramidal control and preserve individual freedom in a modern industrial system. The implications of Douglas's understanding of the role of experts will be discussed in subsequent chapters.

Douglas believed that any association into which man entered to attain an objective could become a tyranny unless it could be broken at any time "without incurring any penalty other than the loss of association itself."[83] To safeguard the individual from economic coercion, the financial system had to be changed so that it guaranteed the necessities of life to each individual. The free individual would then be able to lend his influence to achieve whatever policy he wanted. In a social credit system, policy would be determined by majority decision. The individual would still be supreme within administration, that is, in carrying out the predetermined policy.[84]

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[82] Douglas, *Economic Democracy*, 28; C.H. Douglas, *The Tragedy of Human Effort, The Liverpool Address, October 1936* (London: K.R.P. Publications Ltd., n.d.)

[83] Douglas, *Control and Distribution of Credit*, 101

The implications of public control of policy can be made clear by examining Douglas's schemes for implementing social credit. By the time of the 1935 Alberta election, Douglas had developed three different schemes which attempted to apply aspects of social credit in three different settings: The Mining Scheme for the British coal industry, The Draft Scheme for Scotland, and the New Zealand Proposals.[85] The three schemes were not full-scale plans but strategies for gaining access to public credit. They differed in detail, in part at least, because they dealt with different circumstances. The Mining Scheme and the New Zealand proposals offered different abridged versions of social credit. The Draft Scheme for Scotland provided a fuller gamut of social credit measures. Despite these differences, the same principles applied in each scheme. Examples from these schemes can help to illustrate the three measures Douglas viewed as essential to social credit.

The first measure was to eliminate the fundamental evil afflicting the world, the bankers' monopoly over the creation of money, and to vest control over the policy of credit creation in the public. Douglas called for the democratization of the control of credit creation, by which he meant that the public would determine policies regarding the issue of credit but experts answerable to the public would be responsible for delivering the results the public wanted.

Douglas never clarified exactly how this system of public control would work, but he provided hints in the three schemes mentioned above. The Mining Scheme and the Scottish scheme called for the creation of alternative banking systems to the institutions of the conspiracy. In the case of the Producers' Bank to be created under The Mining Scheme, each depositor would be a shareholder in the Bank, entitled to one vote on Bank policy decisions. The principle of one vote per depositor would prevent higher income depositors from gaining control of the Bank, thus assuring democratic control of policy. The Bank would be decentralized in administration, with each coal-mining region having its own branch of the Bank. The advantages of decentralization would presumably include greater sensitivity to working conditions and the harmonizing of production with local conditions for greater efficiency. It was not clear under The Mining Scheme whether policy decisions would be decentralized to the branch bank or centralized, with all depositors in all the branches participating in policy decisions. The former was implied, but elsewhere Douglas suggested more centralized policy-making, though still on a democratic basis. The Scottish scheme planned to use the post office to distribute purchasing power. Regular banks could retain some functions. Douglas did not insist that the conspiracy's banks cease to exist but only that their monopoly over credit creation and policy-making be removed. In administration, Douglas acknowledged the bankers' expertise. Banks would, however, face certain discriminatory actions. Legal protection for Finance's investments in all industrial holdings would cease and, it was strongly implied, no compensation would be provided if the community chose to acquire those shares.

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[84] Douglas, *Social Credit*, 125

[85] For The Mining Scheme with commentary by A.R. Orage see Douglas, *Credit Power and Democracy*, 147-212; "Draft Scheme for Scotland;" the New Zealand Proposals are in Government of New Zealand, *Major C.H. Douglas Before the New Zealand Government's Monetary Committee: Notes of Evidence and Examinations with correspondence preliminary thereto*, (Auckland: Dawson Printing Co. Ltd., 1934), 5-6.

Instead of creating an alternate banking system, the New Zealand Proposals called for a series of discriminatory actions to bring existing financial institutions under community control. Any dividends offered by banks and insurance companies would be limited to 6%. Financial institutions would also be required to make a complete disclosure of all assets including property and furnishings. This would enable a calculation of the difference between the book value and the market value of assets. Money would then be created equalling this difference. Some of the profits exceeding 6%, together with the monetized credit representing the difference between book and market values, would then be used to help reduce overdrafts and the interest paid on those overdrafts. In other words, bank and insurance company assets would be used to reduce outstanding debts owed to them. In Douglas's view, such discriminatory actions did not constitute confiscation. The institutions' assets had originally been stolen from the people. Besides, the institutions were to be left in full control of the administration of their businesses. The New Zealand scheme was as close as Douglas came to articulating a strategy for divesting Finance of its power until he examined Alberta's situation. His Interim Report to the Alberta government will be considered later.

The second measure to create a social credit system was the creation of new credit to make up for the deficit in purchasing power revealed by the A + B theorem. There was no effective way to redistribute already existing credit. It was impossible to tax a capitalist-producer effectively since the producer would be able to pass on any added costs to the consumer[86] and socializing the means of production was just a trap set by Finance. The amount of credit in existence was insufficient; redistributing that credit would only level down standards and punish the best within society. What was needed was new credit to release the power of the productive system and provide the sufficiency of necessities the individual required to be free from compulsion.[87] Only new credit created outside the production cycle could bring consumption into balance with production. Social credit would be a precise, scientific system which would restore real wealth and financial wealth to the equivalence they had known before the intrusion of financiers into the pastoral economy. Ultimately, new credit could be created simply by writing numbers in a ledger, but it would be backed by the "security of a country considered as a producing mechanism."[88]

Douglas's definition of Real Credit was essential to his understanding of credit creation and security based on productive capacity. Real credit was defined as the ability of a system to produce and deliver goods as, when, and where required by potential consumers up to the level of consumer demand. (Financial Credit was defined as the ability of a system to deliver money as, when, and where required so as to make the production and distribution systems work.) Real Credit was the joint creation of the producer and the consumer. It encompassed actual goods and the potential supply of goods. Both these concepts were emphasized by Douglas's colleague, A.R. Orage in the commentary which accompanied The Mining Scheme. Real Credit, Orage explained, "depends on ability to produce and a need to be satisfied... The Consumer, in other words, is quite as necessary to the production of Real Credit as the Producer." Potential production represented unmonetized Real Credit. "[T]he potentiality of goods -- in other words, the correct belief that goods can actually be produced and delivered as and when and where wanted -- is more important in the long run than actual goods themselves, since it represents a resource of power over and above that necessary to supply today's needs."[89] A variation of the concept of monetizing Real Credit has already been seen in the difference Douglas drew between the book and market values of a bank's assets in the New Zealand scheme. Under that scheme, the newly monetized credit that was not applied to reduce both overdrafts and the interest owed on overdrafts would be used to buy stocks for each New Zealand citizen and to ensure those stocks continued to pay dividends. Obviously Douglas believed the Real Credit waiting to be monetized was very large.[90] He also believed it existed in all industries. The Producers' Bank in The Mining Scheme, for instance, would have issued credit by monetizing the Real Credit of the coal industry.

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[86] Douglas, *Credit-Power and Democracy*, 73

[87] Douglas, *Control and Distribution of Credit*, 10, 43; Douglas, *Economic Democracy*, 16-17

[88] Douglas, *Monopoly of Credit*, 127-28

According to Douglas, three methods could be used to augment consumer purchasing power. One method was to provide credit for the necessities of life to the consumer in the form of dividends on the cultural heritage. Such dividends were not necessarily paid directly but, as in the New Zealand scheme, might arise from stock holdings. A second method called for price discounts. The prices producers charged could be lowered by a rough equivalent of the intermediary costs, allowing prices to fall below the costs of production. The producer would be compensated with credit which the Treasury would provide when the product was sold.[91] This proposal was incorporated in The Mining Scheme. A variation of this alternative suggested the product be sold at cost including an agreed profit and the consumer be compensated at the time of purchase. The latter variation of the price discount was incorporated in the Scottish scheme. Although the concept of price discounts has attracted much less attention than the national dividend, Douglas believed it to be the superior method. It would deliver the purchasing power at the moment it was required -- when the consumer made a purchase.[92] The third method would combine dividends and price discounts in one program.

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[89] A.R. Orage, "Commentary," in Douglas, *Credit Power and Democracy*, 157, 189-90

[90] *Douglas Before the New Zealand Government's Monetary Committee*, 12

[91] Douglas, *Control and Distribution of Credit*, 27-29

To ensure that production and consumption were balanced, Douglas usually combined his proposals for enhancing purchasing power with a just price.[93] The just price was a type of price control which was also to prevent inflation. Douglas believed that inflation, at best, was only a short term cure to a business depression.[94] The just price would allow the economic system to be balanced with mathematical precision. The obvious implications of a just price for producers' profit margins hint at Douglas's overall ambivalence about the fate of capitalism under a social credit system. After all, a just price meant producers would lose their control over price setting; profit margins would be determined by experts hired to deliver the results demanded by the people; and the market place would be regulated.

The third measure Douglas believed necessary for a social credit system was the removal of control over the policy of production from business -- or, as Douglas would have preferred, from Finance -- and its vesting in the public. Finance's control over credit creation had gradually given it control over productive industry. As a result, neither producers nor consumers controlled policies affecting intermediate production, and the quantity, quality, and variety of the products ultimately consumed.[95] In industrial capitalism, policy was resident in credit and Finance controlled credit.[96] Under a social credit system, when the control of credit creation was removed from Finance and vested in the public, the control over the policy of productive industry would also pass from Finance to the public.

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[92] Ibid., 30

[93] The just price was not incorporated in the New Zealand scheme which, as mentioned, was in the nature of an interim program. Douglas believed price regulation would be found necessary once the scheme was implemented (*Major C.H. Douglas Before the New Zealand Government's Monetary Committee*, 9).

[94] Douglas, *Douglas Speaks*, 35

[95] Douglas, *Control and Distribution of Credit*, 19

[96] Ibid., 43

Democratising the policy of production was thus co-equal with and implicit in democratising the control of credit.[97]

The difference Douglas drew between policy and administration allowed him to claim that the adjustment from industrial capitalism to social credit would leave the sanctity of private industry's control over the *administration* of business untouched. In Douglas's words, this adjustment could be made "without the very slightest shock either to industry or to society, but with a steady and rapid appreciation both of the amenities of life and of the efficiency of industrial processes."[98] Theoretically, the public would demand results by setting policy, but it would not interfere in the work of the producers -- the experts -- whose job it would be to administer the productive machinery so as to deliver the desired results.[99]

Yet, the implications of public control of the policy of production were enormous. Patent rights and the producers' ownership of the means of production would be, at best, qualified. Ultimately, Douglas reasoned, the plant of civilization belonged to the community rather than its operators.[100] He estimated that tools and processes accounted for as much as 95% of production and were, by right, the "cultural heritage of the community."[101] This concept involved no confiscation of property when Douglas's understanding of intermediary production is remembered:

> A reference to the accounting process already described will make it clear *that the community has already bought and paid for many times over the whole of the plant used for manufacturing processes,* the purchase price being included in the selling price of the articles produced, and representing, in the ultimate, effort of some sort, but immediately, a rise in the cost of living. If the community can use the plant it is clearly entitled to it.[102]

Douglas also reasoned that "[n]atural resources are common property and the means for their exploitation should also be common property."[103]

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[97] Douglas, *Credit-Power and Democracy*, 6

[98] Ibid., 128

[99] Douglas, *Control and Distribution of Credit*, 34-37

[100] Ibid., 41-42

[101] Douglas, *Economic Democracy*, 93

[102] Ibid., 112-13

Community control over the means of monetizing real credit brought with it the power to decide the rate of issue of financial credit to producers as well as the conditions under which credit would be issued.[104] As the sole arbiter of the policy of production, consumers would decide what articles would be made, and in what quantity and quality.[105] Ownership of the plant of civilization gave the community the right to "dismiss anyone who in its discretion fails to use that plant to the best advantage."[106] As Douglas put it, the "business of producers is to produce; to take orders, not to give them; and the business of the public, as consumers, is not only to give orders, but to see that they are obeyed . . . and to remove unsuitable or wilfully recalcitrant persons from the aristocracy of production to the democracy of consumption."[107] Even the limits of the producer's sovereignty within what might be considered purely administrative matters appeared threatened. Douglas argued that the "technique of production is a matter of Law, not of Emotion and Desire." Under a Douglas system, "much more exacting discipline" would be expected of producers. Failure would again lead to loss of privilege.[108] Under a social credit system, then, capitalism would retain a reduced sovereignty only in as much as it delivered the results demanded by the people.[109]

The capitalist's relative share of real wealth would also decrease under social credit. Rather than discontinuing investment dividends to capitalists, as the socialists proposed, Douglas would continue them. There would be no outright confiscation (except perhaps of Finance's investments), but there would be a gradual transition to community ownership of the means of production.

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[103] Ibid., 110

[104] Douglas, *Control and Distribution of Credit*, 47

[105] Ibid., 26-27

[106] Ibid., 41-42

[107] Douglas, *Credit-Power and Democracy*, 94-95

[108] Douglas, *Control and Distribution of Credit*, 41

[109] Douglas, *Economic Democracy*, 148

A fuller understanding of the implications for the capitalist of reassigning the productive plant to the community can be gained from a closer look at The Mining Scheme. Rather than a few colliery firms, each centralized in administration but operating in different regions, Douglas proposed the decentralization of administration to each region, with centralization of productive organization within the region. Local producers would probably be required to amalgamate, eliminating competition among firms. Possible objections to local coal trusts and deteriorating working conditions were supposedly overcome by the measures Douglas proposed to democratize control of the policy of production. As mentioned, all depositors in the Producers' Bank regardless of income would be shareholders and have one vote regarding policy decisions. The Producers' Bank, itself, would be established by the Mining Federation of Great Britain. The Bank, rather than the original owners of the collieries, would determine the policy of the mines. To avoid the possibility of revolution, Douglas proposed that the owners would receive a fixed 6% return on their capital. The owners, however, would lose their right to fix prices and would be required to disclose all financial operations. Complete disclosure would allow the state to establish a just price for coal at a percentage of cost of production. The difference would be reimbursed to the owners from the National Credit Account, representing the entire nation. Finance would no longer provide the loans for intermediary production. New capital expenditures would be financed in a ratio of Producers : Colliery Owners as wages and salaries : dividend. Issues of credit from the Producers' Bank were not to affect deposits but the benefits of any investment would accrue to the depositors (in other words the Bank would create new credit by monetizing the Real Credit of the mines). Clearly, until dividends exceeded wages and salaries, the Producers' Bank would supply most of the funds. By the time dividends exceeded wages and salaries, the workers would own a majority of the colliery. Furthermore, any decrease in the costs of production through innovation or technological change would be credited 25% to the owners (which would increasingly include the workers), 25% to the Producers' Bank and 50% to the National Credit Account. Thus, as new techniques and machines were introduced, all the Bank's depositors would benefit, not just the Capitalists, who would find themselves owning less and less of the productive plant.

Douglas's other schemes also called for a redistribution of the ownership of the means of production. The Scottish scheme suggested the holdings of individual capitalists would be bought out. New capital expenditures for industry would be largely financed through consumers investing their dividend payments. When Douglas explained his New Zealand Proposals, he argued that a 6% cap on the profits of industries, other than financial institutions was unnecessary. The New Zealand Proposals, however, also planned for the eventual purchase of stocks by all citizens.

A transition of the ownership of the productive plant from Finance and Capitalists to a broad base within the community was central to all Douglas's schemes. Ultimately, Douglas was proposing a form of bondholder society.[110] "'Great Britain Limited' as a beginning for the 'British Empire Limited'," he wrote, "might form an organisation in which natural-born British subjects would be bond-holders. An elaboration of this conception would enable a transition to be made without shock and without any alteration in the existing administration of industry."[111] Douglas believed loan-credit was most suitable for stimulating intermediate production.[112] The provision of credit for innovations in intermediate production by the consuming public rather than Finance was to be the chief means to secure a non-revolutionary transition to community ownership. Widely held ownership, in turn, would prevent centralized conglomerations of power.

In addition to loss of control over policy and pricing and a declining share in ownership, the capitalist would suffer from a loss of status under a social credit system. Douglas believed social credit would ensure that the productive and industrial systems lost some of the importance they had enjoyed in the previous one hundred years.[113] The role of competition in society would be severely curtailed. Under a Douglas system, the "[e]conomic incentive to competition other than in efficiency would disappear completely, and with it the primary cause of war."[114] In Douglas's view, of course, social credit would not impair individual enterprise; it would only redefine the sphere for its activity. The status associated with competitive systems would lessen as material values and wage labour gave way to intellectual, cultural and spiritual values and dividend income.

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[110] Ibid., 114

[111] Douglas, *Monopoly of Credit*, 114

[112] Douglas, *Control and Distribution of Credit*, 71

[113] Douglas, *Monopoly of Credit*, 85

[114] Douglas, *Economic Democracy*, 116

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Given a willingness to implement his system and the personnel to operate it, Douglas was convinced an economic millennium would soon be forthcoming.[115] Social credit would result in nothing less than the birth of a "NEW CIVILISATION," in which absolute economic security and individual responsibility would be the rule. Power would be decentralized and the selfish desire for domination would not be allowed to interfere with distribution.[116] No longer would individual actions be excused due to the demands of centralized authority. Even the soldier who killed under orders would not be able to absolve himself of responsibility for his actions.[117] The artificial struggle between capital and labour would disappear. Workers would be rewarded for increasing the efficiency of the productive plant. Machine innovations decreasing the time-energy units required to perform a task would benefit man. Governments would actually represent the people. Their job would be to deliver the results demanded by the people. Individual interest and community interest would be one. Production and consumption would be balanced, so the need for exports simply to obtain purchasing power and a favourable balance of trade would disappear. Although exports themselves might actually increase, the incentives for export that inevitably led to war would be removed.[118] In place of the League of Nations, there would be a League of Free Peoples based on the "abolition of the competitive basis of society" and the substitution of a co-operative commonwealth.[119] Social credit would usher in the millennium, providing absolute equity without any compulsion to interfere with individual freedom.[120]

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[115] Douglas, *Douglas Speaks*, 11

[116] Douglas, *Economic Democracy*, 89

[117] Douglas, *Douglas Speaks*, 84-85

[118] Ibid., 65

[119] Douglas, *Economic Democracy*, 142

[120] Ibid., 116

Despite the tantalizing promise of a non-revolutionary transition to a social credit bondholder society, there was a good deal of ambivalence in Douglas's ideas about how the transition would occur. Generally speaking, he favoured parliamentary methods but predicted that Finance would respond to social credit with "stark compulsion" necessitating direct action by the public.[121] The New Zealand Proposals suggested the kind of public action he had in mind. At other times, however, Douglas almost invited violence against the supposed conspirators, such as when he suggested "the world cannot be made safe without removing the banker, painlessly or otherwise, from the commanding position which he now occupies."[122] He proposed that financiers such as Bank of England governor Montagu Norman and the American tycoon J. P. Morgan should be "disabused, gently if possible, but disabused anyway" of their inflated notions of their prerogatives.[123] Norman, in particular, should be made to understand the consequences in human suffering caused by his policies: "I fear it will not happen, but if a few rough, vulgar men would express to Mr. Norman their rough, vulgar opinion of a policy by which English and Scottish men and women are being butchered to make [another] international financial holiday, it might act as a stimulant to his imagination -- if he recovered."[124] Douglas's flirtation with violence may have been encouraged by a belief that the power of finance might be overturned in a sudden conflagration. He admitted that the New Zealand 'Proposals', which were aimed almost solely at Finance, would probably lead to a 'rumpus'. Interestingly, he pointed to the concept of a bondholder society as essential backing for whatever supreme authority confronted Finance.[125] Douglas's belief in the power of Finance was such that he appears to have thought that only a united populace could defeat Finance. The supreme authority which would act on behalf of the people would, of course, be the state.[126]

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[121] Douglas, *Social Credit,* 172; Douglas, *Douglas Speaks,* 37,11, 16

[122] Douglas, *Monopoly of Credit,* 84

[123] Douglas, *Douglas Speaks,* 38

[124] Ibid., 75

[125] *Major C.H. Douglas Before the New Zealand Government's Monetary Committee,* 11

Although Douglas's goal was to free the individual, the three schemes he developed for instituting social credit would have vested enormous powers in the state. The state was the custodian of the Real Credit of the nation. It was through the mediation of the state that the Cultural Heritage would be distributed to the people. It was through the state that the community would exercise its right to control the policy of finance and production and to dismiss anyone failing to produce the desired results or to use the productive plant to its best advantage. The state would also control publicity on behalf of the people.[127]

Yet, to this point in time, Douglas had not defined the state[128] or explained how individual freedoms would be protected. There was, for instance, no mechanism in place to prevent the kind of prejudices Douglas displayed from creeping into the system. The individual man Douglas wanted to be free, if not inherently good, was at least British. Douglas was anti-Semitic. He had scant regard for the freedom of Jews. While championing free enterprise, he would have arbitrarily restricted private rights derived from ownership. There was no defined mechanism by which the public could control the experts. The community's interests and those of the state were assumed to be in perpetual harmony. Even though Douglas opposed socialism and fascism because they vested control of policy in administration, there was an obvious danger that Douglas social credit would lead to dictatorship.

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[126] Douglas, *Douglas Speaks,* 11; *Major C.H. Douglas Before the New Zealand Government's Monetary Committee,* 11

[127] Douglas, *Douglas Speaks,* 48-49; Douglas, *Economic Democracy,* 149

[128] Macpherson astutely suggests that for Douglas, the state "had no concrete existence apart from those who operate its functions" (Macpherson, *Democracy in Alberta,* 125).

Chapter Three

ABERHART, SOCIAL CREDIT, AND THE MONEY CHANGERS

i

Creating money out of the end of a fountain pen through a bookkeeping entry -- the phrase evokes a strangely incongruous image, yet one that is imbedded in our collective memory of William Aberhart and Alberta Social Credit. It suggests the ease with which Aberhart promised to rescue Albertans from the despair of the Great Depression. With the flourish of a pen stroke, he would correct the defect in the monetary system that was blocking the flow of credit to the people and release a $25 dividend per month to every qualified citizen. The depression would end. Poverty would end. Crime and war would end. Equality and justice would reign in a classless society.[1] If Social Credit would not usher in the Kingdom of God on earth, at least it would free men and women from unending toil for their daily bread so that they might more readily seek after Christ. But the idea of creating almost limitless money through bookkeeping entries is ludicrous. The phrase also suggests, then, the ignorance and ultimate failure of Aberhart, a man regarded as an "economic illiterate," a man who understood neither orthodox economics nor Major Douglas's social credit economics.[2] Hope, ignorance, and failure -- is this how we should remember Aberhart Social Credit? The answer is both yes and no.

William Aberhart *was* naive about economics, particularly when it came to the realities of the marketplace, and there were some obvious differences between his interpretation of social credit and that of Douglas. These differences were so striking that Douglas, himself, eventually objected that Aberhart did not understand the technical basis of social credit; he changed the just price so that it combined the regulation of price spreads with a processing tax; his explanation of the unearned increment was completely unrecognizable, and he incorrectly suggested that purchasing power increased with the rate of turnover. Most importantly for Douglas, Aberhart apparently did not grasp that social credit "involves the *creation* of additional purchasing power either by reduction of prices below cost . . . while the financial deficit thus caused is made up to the producer in fresh credit, or by issuing additional sufficient purchasing power which is not passed through the costing system and therefore does not increase prices, in the form of a National Dividend, or more probably by both of these methods together."[3]

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[1] *Alberta Social Credit Chronicle* (*ASCC*), 27 July 1934, 31 May 1935

[2] Macpherson, *Democracy in Alberta*, 156; Whalen, "Social Credit Measures in Alberta," 503' Finkel, *Social Credit Phenomenon*, 28

Agreeing with Douglas's assessment, for years scholars of Social Credit documented a seemingly endless litany of Aberhart's mistaken views. While noting the appeal of Douglas's prescription for saving capitalism to the conservative Aberhart, C. B. Macpherson argued that Aberhart reduced and distorted Douglas's "diffuse social and economic doctrine . . . to a few stereotypes" -- the cultural heritage, the A + B theorem, the unearned increment, the basic dividend and the just price -- suitable for election sloganeering. In doing so, Aberhart confused the unearned increment with profiteering and price spreads, turned the just price into a moral concept that would exclude profit, and equated the cultural heritage with Alberta's natural resources. Perhaps Aberhart lacked the mental sophistication to grasp Douglas's theories.[4] Having only partially grasped those theories, Aberhart, nonetheless, altered them to suit Alberta's economic and constitutional situation and to serve his own religious and political ends. In the process, he further perverted Douglas social credit. Macpherson's verdict on Aberhart's understanding of social credit has dominated scholarly works for almost forty years.

Recently, scholars have become more interested in identifying the reasons why Aberhart developed a skewed understanding of social credit. Without conclusive archival evidence, such as an Aberhart diary, to establish the sources of Aberhart's ideas, these revisionist scholars have relied on inferential evidence and similarities in ideas and language. While generally agreeing with Macpherson about the conservative nature of Douglas social credit and Aberhart's failure to comprehend its principles,[5] they argue that a variety of influences external to Douglas's writings influenced Aberhart's interpretation. Led by David Elliott and Alvin Finkel, they claim that Aberhart grafted on to Douglas social credit suggestions made by Calgary communist H.B. "Hilly" Hill, ideas culled from the utopian novels of Edward Bellamy, and concepts introduced by various grass roots activists, thereby imparting to Alberta Social Credit a distinctive left wing slant Douglas never intended.[6] The revisionists, and particularly Finkel, view early Alberta Social Credit as more of a left wing movement than Macpherson had acknowledged. They still portray Aberhart, however, as basically conservative.[7] How strong are the revisionists' arguments about the sources of Alberta Social Credit's left-leaning tendency?

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[3] Clifford H. Douglas, *The Alberta Experiment: An Interim Survey* (London: Eyre and Spottiswoode, 1937) 37

[4] Macpherson, *Democracy in Alberta*, 149; also see Hannant, "Calgary Working Class," 109; Irving, *Social Credit Movement*, 122-23.

[5] Finkel, "Alberta Social Credit Reappraised," 70; Elliott, "Antithetical Elements in William Aberhart's Theology," 38-58

Hill's influence is particularly important to revisionist arguments because it helps explain the left wing views Aberhart expressed in his famous 1933 Yellow Pamphlet, which was written before he had much exposure to grass roots activists and when his social credit converts consisted mainly of his religious followers. The Pamphlet called for citizens to use the money they had in Banks and Trust Companies to buy government bonds payable in credit, and it raised the possibility that they would similarly be asked to relinquish the Cash Surrender values of their life insurance policies. Even real estate holdings, industrial plants, and stores might be transferred to the state in return for bonds at the owner's option or held until death when they could be transferred to the government or to the owner's heirs.[8] According to Elliott, the communist Hill was responsible for both the authoritarian and socialistic overtones of these measures. The primary source Elliott cites to suggest Hill's influence is none other than Hill, himself.[9]

Hill's diary entries for 1935-36 indicate he had several meetings with Aberhart, but his claim that he helped Aberhart get the gist of Douglas into the Yellow Pamphlet is registered in some handwritten notes he composed later. From Hill's writings we learn that Aberhart hoped Hill's wife Lettie, a member of Aberhart's church, would move to Edmonton to take a government job helping prepare Aberhart's speeches. An initial stumbling block to Lettie's acceptance was the question of employment for her husband, a disabled veteran. Hill's solution to his employment was straightforward: "I said [to Aberhart] that we might come if I was assured of something to do. I hastened to say I was not looking for a govt. job -- wouldn't take one in fact -- but I did want occupation & I proposed that he make Amott & Co. the fiscal agents [for the government] & we would open an office in Edmonton & everybody would be happy." According to Hill, Aberhart agreed provided the cabinet would go along. If Aberhart ever asked the cabinet, approval was apparently not forthcoming. In any case, Lettie later said she would not accept the job Aberhart had offered. In 1936 Hill again failed to get government business, this time for the Royal Bank. Hill also seems to have been involved as a bit player in some of the cabinet infighting of 1936. He tried to use his relationship with Aberhart to assist the minister of lands and mines, Charlie Ross, in persuading Aberhart that he should trust Ross and provincial treasurer C. Cockroft and oust cabinet ministers W.A. Fallow and W.W. Cross. Ross's plotting failed and he and Cockroft later left the government. Perhaps Hill's business frustrations and intriguing for Ross coloured his view of Aberhart.

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[6] Bellamy's novels included *Looking Backward*, *Equality*, and *2000-1887*. Elliott and Miller, *Bible Bill*, 109-11; Elliott, "William Aberhart: Right or Left?;" Finkel, "Alberta Social Credit Reappraised;" Finkel, *Social Credit Phenomenon*

[7] Finkel, "Populism and the Proletariat," 129; Elliott and Miller, Bible Bill, 319-20. Elliott presents a complex argument that when Aberhart's leftist political ideology and association with leftists, theory of state, use of propaganda, and charisma are considered together, he is best classified as a left-wing fascist.

[8] William Aberhart, *The Douglas System of Economics* (Calgary, 1933)

[9] Elliott and Miller, *Bible Bill*, 111, 114; Glenbow Alberta Institute (GAI), H.B. Hill papers, M4843

Whatever the cause, Hill ridiculed Aberhart in his diary. According to Hill, Aberhart had many weaknesses and few strengths; he was a coward with no guts; he had the "nievity [*sic*] of a twelve year old" and was a liar and an "old bastard." If Hill's animus for Aberhart is not enough to raise doubts about his objectivity, Hill, who seems to have been fond of drink, records that his mind was in chaos about the time he was supposedly elucidating Douglas social credit for Aberhart. It stretches the bounds of credulity to imagine that Aberhart, who as a fundamentalist preacher jealously guarded his control over official church doctrine, would, in working out the meaning of social credit, naively accept the doctrinal interpretation of Hill. Both the musings Hill recorded in his diary and his recollections of Aberhart reveal a bitter man trying to exact petty vengeance by exploiting his primary claim to public significance, his relationship with Aberhart, while simultaneously plumping his own importance. Without supporting documentary evidence, Hill's testimony is too unreliable to justify the claim that he significantly influenced Aberhart's understanding of social credit.

Were Bellamy's novels and suggestions made by grass roots activists the source of Alberta Social Credit's left wing ideas? Elliott's claim that the novels of Edward Bellamy had an important impact on Aberhart's thinking seems very tenuous. There is even some doubt as to when Aberhart first read Bellamy. Relying on John Irving's later interview with an Aberhart colleague, Elliott notes that Aberhart was introduced to Bellamy's novels prior to 1929.[10] Yet J.H. Coldwell, a frequent correspondent of Aberhart's in 1933, was still trying to convince Aberhart to read Bellamy's novels in February 1933, the month the Yellow Pamphlet was published.[11] Aberhart occasionally referred to Bellamy's books in his broadcasts, but he mentioned numerous thinkers and writers. His version of social credit and Bellamy's utopian vision even shared a passing resemblance at times -- but no more. Finkel's suggestion that various grass roots activists influenced Aberhart's interpretation of social credit deserves closer attention.

The origins of the contention that labour and agrarian activists helped shape Aberhart's interpretation of social credit is mainly traceable to Larry Hannant's work on the importance of the Calgary working class to the success of Social Credit in 1935.[12] Hannant points out that there were a number of working class members among those who attended Aberhart's original Bible Institute social credit study group and later played significant roles in promoting the movement. Such working class activists exerted "constant pressure" on Aberhart and contributed to the labour and urban consumer orientation of the Yellow Pamphlet. According to Hannant, Aberhart did not even include the phrase "just price" -- which appealed primarily to farmers -- in his Yellow Pamphlet. Later, as the movement spread from its Calgary base in the summer of 1933, he met with farmers and began to understand the nature of their problems. By 1935, he featured the just price prominently in his Blue Pamphlet. Hannant does not claim that the change in Aberhart's awareness is attributable directly to the influence of agrarian activists, but, again, the implication is clear.

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[10] Elliott and Miller, *Bible Bill*, 111n17

[11] See GAI, Walter Norman Smith papers, M1157, box 4, file 30, and particularly Coldwell to Aberhart, 18 February 1933.

[12] Hannant, "Calgary Working Class," 109; Finkel, *Social Credit Phenomenon*, 30

Hannant's work contains several errors. He dates the publication of the Yellow Pamphlet as May 1933, well after Aberhart's first study group began meeting in January and with sufficient time for the working class members of the group to participate in its writing. David Elliott, however, has shown the Pamphlet was, as mentioned, actually published in February, soon after the group started.[13] More important, Hannant, who based much of his article on John Irving's *Social Credit Movement in Alberta*, overlooks Irving's description of how Aberhart's original study group worked. The study group was conducted in keeping with Aberhart's teaching methods and modelled after his bible study groups. Aberhart assigned readings, lectured, and asked questions. In other words, Aberhart taught social credit to the group members; he did not ask them to teach him. Irving suggests that even the Central Council -- which included what might be termed grass roots activists and operated out of the Bible Institute, co-ordinating the affairs of all the study groups -- had "little policy-making power."[14] Although Hannant is right that the phrase "just price" does not appear in the Yellow pamphlet, Aberhart explained the concept of the just price in some detail, under the term "automatic price control." The appeal of the just price was not, as Hannant suggests, limited to farmers; the just price, which promised lower prices to consumers and a fair commission on turnover to merchants, had widespread appeal during the depression. Of course, none of the above criticisms refute the idea that working class and farm activists influenced Aberhart social credit. As Finkel argues, they were important to the movement, and, as will be discussed later, they appear to have had a modifying influence on some aspects of Aberhart's understanding of social credit. But they were not the source of Aberhart social credit's leftist tendencies.

The left wing thrust of Aberhart social credit originated in the ideas of Major C.H. Douglas. It was *Douglas social credit* that Aberhart adapted to the Alberta environment, not some weird hybrid concocted almost randomly from the ideas of Douglas, Hill, Bellamy, and various agrarian and labour activists. Aberhart's religious beliefs were the most important influence on his understanding of Douglas social credit. He warmed to the millennial appeal and simple solutions Douglas offered to the world's problems. His search for clues about how social credit could be carried out in Alberta led him to the three major schemes Douglas had developed for instituting social credit: The Mining Scheme, The Draft Scheme for Scotland, and, later, the 1934 New Zealand Proposals.[15]

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[13] Elliott, *Bible Bill*, 111n16

[14] Irving, *Social Credit Movement*, 50-52, 270, 67

Any analysis of Aberhart's understanding of social credit is fraught with difficulty. Aberhart began broadcasting his interpretation of social credit before he understood the theories fully. He simplified many social credit concepts to make them understandable to the public, and his explanations of those concepts changed over time. By 1934, however, Aberhart had crafted a fairly consistent interpretation of social credit that included many essentials from his 1933 Yellow Pamphlet and remained constant in most aspects through the publication of his Blue Pamphlet in July 1935 and the election in August.[16] Not everyone agreed with Aberhart's interpretation of social credit, but most Socreders and most Albertans recognized it as the official version of the party's ideology. The balance of this chapter will examine that official interpretation, while the following chapter will look at the major interpretive changes it underwent as the August 22nd election date drew near.

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Aberhart had a limited education, although he did complete a correspondence Bachelor of Arts degree from Queen's University. He was familiar with Protestant fundamentalist literature and fond of novels but not widely read. He attended Chatham Business College briefly, but, other than through his involvement with the Calgary Prophetic Bible Institute, of which he was the founder, lacked business experience.[17] Aberhart was also largely apolitical prior to his discovery of social credit and there is no evidence to suggest he was particularly attuned to populist and regional protest traditions.[18] In sum, Aberhart's religious beliefs and the experience he had gained through his church work were the two most important influences he brought to his study of Douglas social credit.

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[15] See "The Mining Scheme" with commentary by A.R. Orage in Douglas, *Credit Power and Democracy*, 147-212; "The Draft Scheme for Scotland with Commentary by English Credit Study Group" in Douglas, *Douglas Speaks*, 91-101; and the New Zealand 'Proposals' in *Major C.H. Douglas Before the New Zealand Government's Monetary Committee*, 5-6. Irving recognized that, from the time of Aberhart's first attempts to explain social credit, he differentiated between Douglas's principles and plans which had to be adapted to local circumstances (*Social Credit Movement*, 53).

[16] One measure of the consistency of the movement's official ideology is the lengthy series of articles -- written by Aberhart and explaining how social credit would work in Alberta -- first published in the *Alberta Social Credit Chronicle*, the official newspaper of Aberhart Social Credit, in late 1934 and early 1935 and then repeated verbatim between April and July of 1935.

Aberhart's religious affiliations had changed over time.[19] He had been active in the Methodist and Presbyterian churches in the early years of the new century and, by 1916, attended the Baptist church. Elliott suggests that one of the main attractions the Baptist church held for Aberhart was its tradition of congregational autonomy which provided the scope he wanted so that he could guide church policy and incorporate his personal beliefs into church services, without a formal role on the board of deacons.[20] Eventually, however, Aberhart found the Baptist church too confining as well. He wanted virtually complete control over church organization and scriptural interpretation. In 1925, he began his Back-to-the-Bible broadcasts and, by 1929, had established the base he needed to separate from the Westbourne Baptist Church and form the Bible Institute Baptist Church. Aberhart's early interdenominational emphasis soon faded and his church became an elitist and separatist religious sect, featuring his own unique doctrinal interpretations. As Elliott has shown, Aberhart's involvement with the Bible Institute was marked by controversy. The lessons he learned in retaining his leadership would prove useful in his political career.[21]

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[17] Elliott and Miller, *Bible Bill*, 6

[18] Irving, *Social Credit Movement*, 42

[19] The best sources on Aberhart's religious beliefs are Elliott and Miller, *Bible Bill*; Elliott, "Antithetical Elements in William Aberhart's Theology;" David R. Elliott, "The Devil and William Aberhart," 325-37; and Elliott and Miller, "Aberhart and the Calgary Prophetic Bible Institute."

[20] Elliott and Miller, *Bible Bill*, 29

[21] Ibid., 29, 58-59, 65; Elliott and Miller, "Aberhart and the Calgary Prophetic Bible Institute," 64

As Aberhart switched from church to church through these years, his religious beliefs drew closer to fundamentalist doctrines. In those years, as today, fundamentalists believed that the dominant social and economic forces of the modern era ran counter to Christian beliefs. They saw such concepts as biblical criticism, evolution, humanism, and the social gospel as preparing the way for the Antichrist,[22] and they reacted by asserting still more strongly the supernaturalism that was the antithesis of these aspects of modernism. Fundamentalist thought, then, was characterized by supernatural beliefs in the inerrancy of a divinely inspired Bible, divine creation, the pre-millennial return of Christ, and salvation by faith alone.[23] Pre-millennialists like Aberhart particularly reacted to the claims of modern biblical criticism that scriptural prophecies were inaccurate and actually foretold events expected soon after the prophecies were made. They stressed the apocalyptic vision of the prophecies which biblical criticism tried to undercut.[24]

As Aberhart adopted fundamentalist beliefs, he gravitated towards a radical variant of those beliefs, dispensationalism. In those years, as today, dispensationalists argued that they applied a more consistent literal interpretation to the bible, and particularly, the prophecies, than fundamentalists.[25] According to dispensationalist thought, God divided man's time on earth into seven dispensations. In each dispensation God assigned man a task which, from the time of Adam, man had failed. Through these dispensations, however, God slowly revealed his purpose to man. Dispensationalists believed that the prophetic texts applied to the period after the return of Christ. The prophecies therefore could not be regarded as explaining the events of the current dispensation, the Age of Grace, nor as providing a very certain guide for man's behaviour. Still, God's purpose in the current age might be divined more certainly if man could recognize the foreshadowings of the prophecies. Dispensationalists believed that God's purpose in the Age of Grace was to teach man that salvation was through faith alone. But man was doomed to fail this test as well. The apostate church was doomed. Only the spiritual fellowship of true believers, representing the pure church, would be gathered up by God and removed from earth during the Rapture, a period that would precede the return of Christ to earth. Seven years of chaos, known as the tribulation, would follow the Rapture, culminating when the returned Christ confronted the Antichrist in the battle of Armageddon and leading to the establishment of the millennium.

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[22] Ibid., 61; Elliott, "The Devil and William Aberhart," 334; James H. Moorhead, "The Erosion of Postmillennialism in American Religious Thought, 1865-1925," *Church History*, 53(March 1984), 61-77

[23] Marsden, "Fundamentalism as an American Phenomenon," 227; Phylis D. Airhart, "'What Must I Do To Be Saved?' Two Paths to Evangelical Conversion in Late Victorian Canada," *Church History* 59:3(1990), 372

[24] Modern criticism also treated the prophetic texts -- Daniel and Revelation -- the same as other texts. Moorhead, "The Erosion of Postmillennialism," 63-66

[25] For a critical examination of dispensationalism see Kraus, *Dispensationalism in America*. Charles Caldwell Ryrie's *Dispensationalism Today* (Chicago: Moody Press, 1965) is a carefully reasoned defence of dispensationalism.

Without a comprehensive scholarly work on the origins of fundamentalism in Canada, scholars have relied partially on the far more substantial body of work dealing with fundamentalism in the United States. As discussed in the first chapter, the belief that American fundamentalism arose as a right wing reaction to modernism has recently begun to give way to a recognition that fundamentalism offered a positive ideology and program.[26] All of Protestantism, from the social gospel movement to fundamentalism, reacted, though with differing emphases, to the social and cultural changes caused by the technological and scientific revolutions that produced modernism.[27] Bruce B. Lawrence, for instance, argues that fundamentalists "accept the instrumental benefits of modernity but not its value reorientations."[28] He distinguishes between revivalists who long for a lost golden age and fundamentalists who "uphold ideals from the past while accommodating to the realities, including the material and technological benefits of the contemporary era."[29] In spite of its rejection of many aspects of modernism, fundamentalism is, therefore, considered by scholars like Lawrence to be part of the modernist hegemony. Lawrence's ideas are particularly well-suited to understanding Aberhart's dispensationalist beliefs and his fascination with social credit.

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[26] Joel A. Carpenter, "Fundamentalist Institutions and the Rise of Evangelical Protestantism," *Church History* 49(March 1980), 74. Ernest R. Sandeen has countered explanations of fundamentalism in terms of agrarian protest and populism by demonstrating that American fundamentalism originated in the northeastern metropolitan areas of the United States. He traces American fundamentalism ultimately to the influence of English millenarian movements ("Toward a Historical Interpretation of the Origins of Fundamentalism," 83; *The Roots of Fundamentalism*; "The Princeton Theology"). George Marsden argues that American fundamentalism should be seen as a sub-species of American revivalism which assumed its defining characteristics through its opposition to modernism (*Fundamentalism and American Culture*; "Fundamentalism as an American Phenomenon.") George Rawlyk has applied Marsden's thesis to fundamentalism in the Canadian maritimes and argued that its roots can be found in Maritime revivalism, which itself grew out of the New Light movement of Henry Alline(*Champions of Truth: Fundamentalism, Modernism, and the Maritime Baptists* [Montreal & Kingston: McGill-Queen's University Press, 1990] 33, 70-75).

According to Elliott, Aberhart's dispensationalism varied from the norm in certain respects. Some aspects of his interpretations of the prophetic texts were unique; at times, he apparently claimed divine inspiration, and he laid greater emphasis on the imminence of the Rapture. With the onset of the depression, his expectation of any-moment second coming increased. He believed that the Antichrist was already alive and he was particularly prone to interpreting current events in terms of foreshadowings of the events that would follow the Rapture.[30] More than most fundamentalists, Aberhart introduced ideas from modern belief systems into his biblical interpretations, from British Israelism, to numerology, to concepts from the novels of Sidney Watson who, in turn, was indirectly influenced by the *Protocols of the Learned Elders of Zion*.[31] Typically, his enthusiasms lasted only a short time. Given a tendency to amend religious doctrines by incorporating aspects of modernism and to adopt enthusiasms temporarily, it is tempting to suspect that Aberhart's sudden immersion in social credit doctrine was part of the same pattern and to conclude that his devotion to social credit was short-lived. The temptation should be avoided. Douglas social credit became an integral, lasting part of Aberhart's belief system.

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[27] Airhart, "'What Must I Do To Be Saved?'," 372

[28] Lawrence also argues that fundamentalists are reacting not just to the intellectual hegemony of modernism but to a notion of sociopolitical privilege which excludes them from power. Ultimately, however, they defend not just themselves and their scripture, but God and they offer not just criticism but a positive ideology (*Defenders of God*, 6-7, 107). Lawrence criticizes Sandeen's conception of fundamentalism as an extension of millenarianism for ignoring issues beyond biblical criticism.

[29] Ibid., 18-19

[30] Elliott and Miller suggest that Aberhart's emphasis on an any-moment second coming served as a method of social control to encourage correct behaviour (*Bible Bill*, 38-40).

[31] Ibid., 38, 68, 70, 104

There were significant differences but also some surprising areas of harmony between Douglas social credit and Aberhart's religious beliefs. Douglas rejected original sin and man's sentimental attachment to otherworldly answers for this world's problems and he accepted evolution, but he seemed motivated by Christian ethics.[32] His emphasis on individual responsibility appeared sympathetic to Aberhart's understanding of salvation of the individual through faith rather than through good works. Both Douglas and Aberhart accepted many benefits of modern scientific production while rejecting the attendant value reorientations of modern industrial society. They shared a sense of alienation from dominant trends in their societies which daily revealed an increasing need for the very lessons they were offering.[33] In this sense, they were both fundamentalists. They longed for the restoration of a co-operative state that would replace the profit-driven world in which they lived; yet they were willing to harness the wonders of the modern productive system to achieve their goals. Perhaps most important, Douglas's expectation of an apocalyptic conflict matched Aberhart's growing certainty that the battle of Armageddon was drawing near.[34] This apocalyptic vision would prove decisive for Aberhart's understanding of Douglas.

At times, Aberhart's religious sensibilities led him to prefer Maurice Colbourne's version of Douglas social credit. Colbourne shared Douglas's view on evolution but provided a more forthrightly Christian moral emphasis than Douglas.[35] Colbourne also presented

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[32] The same point is made in Ibid., 107, 116

[33] This sense of alienation is captured by Macpherson (*Democracy in Alberta*, 93).

[34] Macpherson writes: "Combining in itself a root-and-branch denunciation of the world as it was with a magical promise of a new secular life for all who were suffering, social credit had a peculiar affinity to the fundamentalist and prophetic religious gospel of which Aberhart was a vigorous preacher" (*Democracy in Alberta*, 145).

[35] Maurice Colbourne, *The Meaning of Social Credit, Revised Edition of Economic Nationalism* (Edmonton: The Social Credit Board, 1935), 26-28

Douglas's ideas in the plain language fundamentalists preferred -- an understanding of basic doctrine must be attainable by all.[36] His simple allegories illustrating Douglas's principles became the basis for popular Aberhart dramatizations, such as the "Man from Mars" series, and analogies, such as that between the flow of blood in the human body and the flow of money in the credit cycle.[37] Later, when quarrels about interpretation broke out, Aberhart sometimes found it useful to quote Colbourne, demonstrating that Douglas was not the only social credit expert.

The way in which Aberhart's religious beliefs first shaped his understanding of social credit can be shown by retracing Major C.H. Douglas's belief system. Douglas's understanding of the history of the monetary and productive systems emphasized the supposed influence of the financial conspiracy over contemporary events. In contrast, Aberhart's understanding of history came from his dispensationalism. According to C. Norman Kraus, the belief that man's time on earth is divided into seven dispensations constitutes not so much a scheme of historical change as a testimony to supernatural interventions by God in worldly history. A dispensation is thought of by fundamentalists not as an age but as a course of time ruled by principles established by God relative to revelation. To nonbelievers this understanding of historical change in terms of supernaturalism marks dispensationalism as essentially ahistorical -- it devalues human effort and natural forces as agents of historical change both within and between various dispensations and erects God and Satan as the only truly significant historical forces.[38] An ahistorical scheme of causation does not appear a promising starting point for understanding ideas ostensibly grounded in historical analysis.

Douglas's study of history, however, was cursory at best. His approach to history was presentist. He was more interested in demonstrating to his contemporaries the malignant effects of the separation of credit creation from production, which had occurred in an earlier time, than in establishing a firm empirical foundation of historical evidence from which to draw conclusions.[39] Typically, he reduced complex events to single causes and imposed black and white moral evaluations on such events. By the 1930s, Douglas was virulently anti-Semitic. He was consumed by the belief that there was a deadly force of evil active in the world's affairs. He believed he had isolated pyramidal centralization as the primary tactic the conspiracy was employing to increase its power, and, more and more, he saw the coincidence of events in line with that tactic as proof of an actual campaign by the conspiracy to achieve world-domination. As a result, his empiricism grew weaker. Pessimistically, he concluded that the entire course of world history was on a downhill course and rapidly approaching an apocalyptic conflict that would decide once and for all whether man would free himself from the shackles of Finance or fall victim to absolute enslavement.[40]

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[36] Ellis, "Baptist and Radical Politics in Western Canada," 170

[37] Maurice Colbourne, *Unemployment or War* (New York: Howard-McCann, Inc., 1928), 181, 99

[38] God "works out His predestined purpose *in* history, but quite apart from it . . ." (Kraus, *Dispensationalism in America*, 8, 62, 115); Marsden, "Fundamentalism as an American Phenomenon," 231

Aberhart's understanding of history, though different in specific beliefs, was very much parallel to that of Douglas. Aberhart's faith in supernatural causation, in biblical authority as the ultimate test of validity, and in the progressive revelation of God's purpose led to weak empiricism and a tendency both to seek the truth through the literal interpretation of scripture and to understand the significance of historical events in terms of their prophetic implications. Like most fundamentalists, Aberhart was prone to think in terms of dichotomies. The realm of God was separate from the realm of Satan, the supernatural from the natural, and righteousness from sin.[41] His particular attention to prophecy and his pessimistic expectation of any-moment second coming -- with the consequent absolute imperative that he unravel the prophetic shadows he knew to be in contemporary events so as to align himself with God's purpose and against the Antichrist -- taken together, seem to have made Aberhart peculiarly susceptible to the presentist bias and conspiratorial underpinnings of Douglas's interpretation of history. For Aberhart as for Douglas, the tactics and plans of the force of Evil active in the world at that very moment had to be understood and countered at every opportunity. These initial similarities probably encouraged Aberhart toward a sympathetic view when he first began studying Douglas social credit in 1932.

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[39] In a 1942 article Douglas wrote: "There is perhaps no more convincing piece of evidence in regard to the existence of conscious, evil, forces energising a continuous policy, than the strenuous and skilful endeavour to present a picture of events and of history, as purely episodic." The article was later published in The Big Idea (London: K.R.P. Publications Ltd., n.d.), 4-5. Douglas defined history as "crystallised policy" (*Realistic Constitutionalism* [London: K.R.P. Publications Ltd., n.d.], 16).

[40] Douglas, *Social Credit,* 197

[41] Marsden, "Fundamentalism as an American Phenomenon," 215-32

It will be recalled that three stages in the development of the financial conspiracy can be identified in Douglas's writings. First, credit creation had been separated from production and become a function of finance, ending the balance between Financial Credit and Real Credit. Next, Finance's ability to create credit without costs had increased its power over industry, individuals and governments. Finally, Finance had organized into a conspiracy that deliberately used its monopoly over credit creation and the tactic of pyramidal centralization to augment its power with the ultimate goal of establishing a world slave state. Aberhart could rationalize the basic thrust of Douglas's analysis with his own dispensationalist beliefs. Although he had to change some of Douglas's defining parameters, these changes did not necessarily interfere with the essential meaning of Douglas's concepts. The best place to start an analysis is with Aberhart's understanding of the nature of the conspiracy.

Like Douglas, Aberhart referred to a conspiracy of financiers blocking the flow of purchasing power to consumers. Much more than Douglas, however, he also identified the conspiracy as made up of not just financiers but also rich industrialists and monopolists -- in other words, as a plutocracy. His attacks on both wealthy capitalists and capitalism were already present in the radical measures he called for in the Yellow Pamphlet, a document that drew heavily on the methods Douglas recommended for introducing social credit in the Draft Scheme for Scotland.[42] Over time Aberhart's attacks increased. Borrowing the rhetoric common to western protest movements, he often referred to the Canadian members of the plutocratic conspiracy as the "Fifty Big Shots of Canada."[43] He echoed Douglas in claiming that the capitalist system had outlived its usefulness. For example, alluding to R. B. Bennett's notorious relief camps, he charged that capitalism had "nothing to offer the rising generation but camps and the broad road leading to hunger and starvation."[44] The official paper of Aberhart Social Credit, the *Alberta Social Credit Chronicle*, also attacked capitalism and the plutocracy, at times using the "epithets" capitalist and financier interchangeably.[45] Aberhart and Alberta Social Credit still ultimately linked the conspiracy to finance, but, by mid-1934, they vented most of their wrath on capitalists, monopolists and trustifiers.

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[42] In general, Aberhart's Yellow Pamphlet drew on Douglas's arguments that the plant of civilization belonged to the community rather than its operators and that the state should be the custodian of the Real Credit of the nation. The Draft Scheme for Scotland was the inspiration for most of the more specific proposals in the pamphlet. Both combined a dividend with a price discount, called for individuals to surrender stocks, shares, and bonds to the state and be compensated with a long-dated Government Compensation Loan -- the equivalent in Aberhart's scheme was the government bond -- and suggested that real estate transactions between individuals should cease and that all real estate could be relinquished

Though soon reinforced by prairie protest traditions, Aberhart's attacks on the plutocracy probably emerged from his understanding of Douglas social credit. Numerous scholars have argued that, as the depression took its toll, Aberhart gradually became more concerned about both the sufferings of his students and members of his church and the shrinking revenues from his bible broadcasts. Then the suicide of one of his students shocked Aberhart out of his complacency.[46] Such arguments ignore the crucial catalyst that launched

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to the state through transfer, or at death if the owners preferred. Properties would tend to become communal rather than private assets.

[43] William Aberhart, B.A., *Social Credit Manual: Social Credit as Applied to the Province of Alberta* (n.p., 1935), 13

[44] Smith papers, M1157, file 82, "Broadcast by Wm. Aberhart, Sunday, May 26th, 1935 over CFCN"

[45] *ASCC*, 14 Sept. 1934, 21 Sept. 1934, 28 Sept. 1934, 16 Nov. 1934. Finkel suggests that the *Chronicle* was largely reporting the activities of the grass roots when it expressed such left wing views, though Aberhart admittedly sometimes echoed these views (*Social Credit Phenomenon*, 32-33). As Irving notes, however, by 1934 when the *Chronicle* first began publishing, Aberhart was in undisputed control of the movement and its official ideology (*Social Credit Movement in Alberta*, 84). A variety of interpretations of social credit appeared in the *Chronicle's* pages. Only the Calgary-based Douglasites who opposed Aberhart's leadership were under-represented. Aberhart's views, including his religious views, clearly dominated in almost every issue, and the paper's editorial policy, in particular, tracked Aberhart's most recent public statements. The editor, Charles K. Underwood, was a strong Aberhart supporter.

[46] Elliott and Miller, *Bible Bill*, 104

Aberhart into political action: his reading of Douglas social credit. Beginning with Maurice Colbourne's popular account of Douglas's theories, *Unemployment or War,* in the summer of 1932, Aberhart began to understand that current trends in the economic, social, and political spheres -- just as much as biblical criticism, evolutionary theories, humanism and the social gospel -- were interfering with man's search for God. In this respect, Colbourne's writings may have been decisive, for he directly stressed the impossibility of practising Christianity -- without condemning oneself to the poor house -- in an economic system that did not produce the bare means of subsistence for everyone.[47] The next step for Aberhart was connecting the destructive effects of the depression directly to the actions of the Antichrist. After reading Douglas, Aberhart began to claim that specific depression conditions, rather than being punishments from God, were attacks by the Devil.[48] Accepting the link Douglas made between depression conditions and Finance, the picture was completed for Aberhart. The financial conspiracy was more than a worldly organization of evil men. It ultimately derived its power from the Antichrist. Aberhart's anticipation of any-moment second coming sharpened.

According to Aberhart, man could not bow down to Finance without risking surrender to the Antichrist. He equated mankind's bondage to gold to the grasp of a "deathly, bloodsucking octopus [whose] feelers are always extended to grasp us and drag us down to despair and misery . . . " He despaired that people surrendered their children to fuel the fires of the Golden Moloch.[49] Christianity and the pure church were also threatened.[50] When the depression hurt Aberhart's followers, it dramatized the extension of the grasp of the Antichrist to those individuals he hoped would be part of the pure church. Thanks to the depression's impact on donations to his radio program, even the possibilities of evangelization were limited. The Age of Grace was drawing to a close. The apocalypse was at hand. Aberhart had to act. As a dispensationalist, he might believe that he would ultimately fail in his attempts to evangelize humankind, but inaction could not be excused when the Antichrist was at mankind's very door. Aberhart seized on social credit as a weapon both to combat the Antichrist and to create a socioeconomic system in which man might more readily seek salvation in Christ.

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[47] Colbourne, *Meaning of Social Credit,* 28

[48] On Aberhart's claims that the Devil was behind depression conditions, see Elliott and Miller, *Bible Bill,* 103. For one example, see Provincial Archives of Alberta (PAA), Winnifred Ross Papers 71.420/25, "Broadcast over CFCN by William Aberhart, Sunday, April 21st, 1935."

[49] *ASCC,* 3 Aug. 1934

[50] Ibid., 26 July 1935

Aberhart did not differ from Douglas when he located the conspiracy's ultimate source of power outside its corporeal body, but he did reject Douglas's anti-Semitism. As Douglas's certainty about the conspiracy increased and as he became more anti-Semitic, he increasingly located the source of the conspiracy's power not so much in its control over credit creation as in what he termed its Jewish nature and Jewish values. In this way of thinking, Finance's policy was an expression of Jewish values. From the beginning, Aberhart rejected the link Douglas made between the conspiracy and Jews, but he was somewhat ambivalent about anti-Semitism. Such ambivalence was not surprising. Fundamentalists generally viewed Jews within the context of their understanding of prophecy. The persecution of the Jews had been foretold. Opposition to anti-Semitism would run counter to God's purpose. In any case, the anti-Semites were destined to fail while the Jews would be restored to God's favour following their return to Palestine.[51] According to Elliott, Aberhart's particular interpretation of prophecy was that the Jews would be duped by the Antichrist, who was the offspring of Satan and an apostate Jewish woman,[52] while the Christians were experiencing Rapture. The Jews therefore had to acknowledge Christ before they could escape the "curses of the World."[53] Anti-Semitism was not uncommon in Alberta Social Credit. The *Chronicle* contained occasional anti-Semitic references and Douglas's anti-Semitic paranoia found representation as early as 1935 in some articles written under the byline "Apex."[54] Nor was Alberta Social Credit unusual in the level of its anti-Semitism or in harbouring more virulent anti-Semites within its organization. Anti-Semitism was increasingly prevalent in North American society in the 1930s. The myth of a Jewish world-conspiracy, explained in the *Protocols*, enjoyed wide circulation at that time.[55] Norman Cohn suggests that the blind fanaticism of the true believers in the *Protocols* was characterized by an apocalyptic atmosphere and "hints of some gigantic final battle in which the demonic hosts will be eliminated, the world released from the strangling octopus, a new age brought to birth."[56] Aberhart repeatedly denied allegations that either he or Alberta Social Credit was anti-Semitic, but to little avail. The low level anti-Semitism in Alberta Social Credit continued, carrying with it a longer term and more menacing danger. Given an initial ambivalence about anti-Semitism, so many of the party's, and particularly Aberhart and Manning's, beliefs so closely paralleled the anti-Semitic beliefs of individuals like Douglas and Apex, separating the two would become difficult.

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[51] William R. Glass, "Fundamentalism's Prophetic Vision of the Jews: The 1930s," *Jewish Social Studies* 47:1(1985), 63-76

[52] Bercuson and Wertheimer, *A Trust Betrayed, 14*

[53] Elliott, "Anti-Semitism and the Social Credit Movement," 82-83; Elliott, "Antithetical Elements in William Aberhart's Theology," 78; Elliott and Miller, *Bible Bill*, 301-02; Laycock, *Populism and Democratic Thought*, 209

Because of Aberhart's growing conviction that the financial conspiracy was in league with the Antichrist and that the Rapture was imminent, he adopted Douglas's extreme view of a virtually all-powerful conspiracy shaping world events in the last days before the apocalypse. According to Douglas, as Finance's power grew, it increasingly controlled individuals, industry, governments, and political parties. The conspiracy therefore encompassed the traditional fonts of plutocratic power.[57] As shown in the last chapter, Douglas's cure for capitalism would have vitiated the free enterprise system. The breakup of centralized conglomerations of pyramidal power, typified by the branch banking system, monopolies, and trusts, was integral to the creation of the bondholder society. For Aberhart, it must have seemed that separating Finance from Production and Politics was artificial when the former controlled the latter and when the ultimate source of the conspiracy's power was the Antichrist.

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[54] *ASCC*, 4 Jan. 1935, 18 Jan. 1935

[55] Singerman, "American Career," 48-78

[56] Cohn, *Warrant for Genocide*, 158, 249. Howard Palmer argues that the brand of anti-Semitism which "saw Jews as symbols of the 'evils' of Bolshevism, internationalism, materialism, liberalism, urbanism, and capitalism had no widespread appeal in Alberta during the 1930's." Palmer, however, sees Aberhart's ambivalence about anti-Semitism as typical of the attitude of many Albertans (*Patterns of Prejudice: A History of Nativism in Alberta* [Toronto: McClelland and Stewart, 1982], 153, 158). For an interesting comparison, see Mary Christine Athans, "A New Perspective on Father Charles E. Coughlin," *Church History* 56(June 1987) 224-35.

Aberhart agreed with Douglas's analysis that the conspiracy increasingly controlled newspapers, politicians, and governments. For instance, according to Aberhart, the politicians were no better than the "yard dogs" of the Financiers.[58] The *Chronicle* referred to Canada's political system as a "sham democracy" and belittled the politicians of the old-line capitalist parties as "silver-tongued orators" controlled by financial moguls, "mercenary hirelings," and "puppets of the financial and profiteering oligarchy from whom they get their corrupting contributions to debauch the electorate." Governments were also under the control of the conspiracy.[59] Reading from a radio listener's letter, Aberhart stressed the comment "Financiers support a state as a rope supports a hanged-man."[60] One *Chronicle* article, in true Douglas fashion, explained that International Finance instructed the federal government through the Bank of England.[61]

For Aberhart, newspapers, politicians, and governments were not just under the control of the conspiracy; wittingly or otherwise, they were part of the conspiracy and acting as agents of the Antichrist. In opposing Social Credit, they were opposing Christianity.[62] "The principles of the old line politicians and their henchmen," Aberhart warned, "are like those of the man who betrayed the Christ. Gold was his god and millions have suffered because of it. The money changers upheld his right and crucified the Christ and they have been crucifying everyone since [who] follows in the steps of the Saviour..."[63] In keeping with the tenor of Aberhart's views, the *Chronicle* editorialized: "the big financier, the politician... the grafter are all followers of the God of Mammon and Mammon himself is GREED."[64] It compared those criticizing Aberhart to the "bold attempt of trying to frustrate the teachings of Christ, by crucifying him."[65]

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[57] On occasion, Douglas attacked international finance and trustified industry as part of the same conspiracy (*ASCC*, 28 Dec. 1934) or referred to an international plutocracy (Douglas, *Monopoly of Credit*, 4-5, 13).

[58] Ibid., 28 Sept. 1934

[59] Aberhart speech of Feb. 1933 in Irving, *Social Credit Movement*, 59

[60] Ross papers, 71.420, file 25, "Broadcast by William Aberhart over CFCN, Calgary, Tuesday, June 25, 1935"

[61] *ASCC*, 30 Nov. 1934

[62] Aberhart speech of 28 April 1935 in Irving, *Social Credit Movement*, 136

Aberhart's understanding of the conspiracy reflected his religious values in which the realm of God was separate from the realm of the Devil. If the conspiracy was on the side of the devil, Aberhart and Alberta Social Credit were just as surely on the side of God. Aberhart implicitly compared himself to a Biblical prophet leading his people from darkness to the light of a better day.[66] When attacked by critics for such comparisons, he might deny having likened himself to anyone in the Bible, or, in one of his favourite analogies, he might compare the critics' attacks on him to the attacks Christ had suffered in throwing the money changers out of the temple -- thereby inviting further criticism.[67] He was less circumspect about the holy mission of his movement. Alberta Social Credit, he confidently maintained, "is and must be the work of the Lord."[68] It was, he implied, the fulfilment of prophecy.[69]

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[63] Ross papers, 71.420, file 25, "Broadcast by William Aberhart over C.F.C.N. Calgary April 9th, 1935"; Ross papers, 71.420, file 25, "Radio Address by Mr. William Aberhart, over CFCN, Calgary, Friday, May 10th, 1935"

[64] *ASCC*, 14 Dec. 1934

[65] Ibid., 28 Sept. 1934

[66] Ross papers, 71.420, file 25, "Address by Fred Anderson, Friday, May 24th, 1935, over CFCN, Calgary"

[67] Ross papers, 71.420, file 25, "Extracts From Address by Wm. Aberhart, B.A., over CFCN, Calgary, Sunday Afternoon, July 21st, 1935;" Ibid., file 25, "Address by William Aberhart, on Sunday, May 12th, 1935, over CFCN, Calgary"

[68] Ibid., file 25, "Broadcast of William Aberhart, From the Prophetic Bible Institute, Calgary, June 9th, 1935"

[69] Elliott and Miller, *Bible Bill*, 175

The *Chronicle* echoed Aberhart's views. "One of the finest and greatest exponents of Social Credit was Jesus Christ himself," it editorialized.[70]

Aberhart retained many of the terms Douglas used to explain the conspiracy's theft of purchasing power from the people, although he usually altered the definitions. He accepted Douglas's A + B theorem. He stressed that Alberta's natural resources constituted the cultural heritage of its people, but Douglas was wrong in thinking this was the extent of Aberhart's understanding. Much the same as Douglas, Aberhart defined the cultural heritage as the cumulative product of society's inventions and achievements. That definition was already implicit in the Yellow Pamphlet. As shown in the last chapter, Douglas, himself, considered natural resources the common property of a society and, therefore, part of the cultural heritage.[71] Aberhart made greater changes to some of Douglas's other definitions.

Aberhart combined aspects of Douglas's concepts of intermediary production, the unearned increment of association and the cultural heritage for his own definition of the unearned increment of association. Instead of accepting Douglas's definition of the unearned increment arising from co-operative association in the modern labour process, Aberhart redefined it as the value that accrued to a product due to the presence and demand of consumers and belonged to society as a whole.[72] The consumer orientation of his understanding was present in the Yellow Pamphlet: "The present decadent Economic System makes the producer or financier its main concern. It sets its tariffs, its loans, its everything, to suit him. The consumer gets little consideration." The Douglas system, Aberhart wrote, recognized the "Consumer as the important element of the State. We are all consumers. His welfare must be maintained and that will ultimately help the producer (whether farmer, industrialist or miner)."[73]

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[70] *ASCC*, 5 Oct. 1934

[71] Douglas, *Economic Democracy*, 101. Macpherson followed Douglas and incorrectly concluded that Aberhart equated the cultural heritage to Alberta's natural resources (*Democracy in Alberta*, 150).

[72] *ASCC*, 17 Aug. 1934, 1 Feb. 1935, 3 May 1935

[73] Aberhart, *Douglas System of Economics*

Aberhart considered the unearned increment the "cornerstone" of social credit,[74] yet Douglas considered Aberhart's definition incomprehensible -- obviously, some explanation is required. Aberhart's mixing together of aspects of Douglas's concepts of intermediary production, the unearned increment, and the cultural heritage was not entirely surprising. When Douglas explained the unearned increment of association, it was not separate from his concepts of intermediary production and the cultural heritage. The unearned increment was the value added by the co-operative nature of the labour process in modern industry and such a process was, by Douglas's definition, part of intermediary production and the cultural heritage. To understand the meaning of Aberhart's definition of the unearned increment, his religious beliefs and his understanding of an external and, by the 1930s, almost all-powerful conspiracy which virtually controlled industry must again be emphasized. When finance already controlled production, individuals ceased to have control over the production of real credit. They were slaves to the industrial system. Not even the small commodity producer was free of the conspiracy's grasp for the combination of debt and the depression had robbed him of his independence. Yet Aberhart could not accept that the individual who had lost his freedom had also lost his soul or his value.

In turning to the individual's value as a consumer, Aberhart drew out an importance that was often only implicit in Douglas's work. A large part of Douglas's claim that social credit was a progressive system rested on his solution to the increasing unemployment assumed to accompany the substitution of machine labour for human labour in the machine age. Douglas called for employees to be weaned from their dependence on wage labour through the substitution of dividend income. Whether they worked or not, therefore, individuals would still be eligible for dividends on the cultural heritage because of their membership in the community. Moreover, production would be for use. As the ultimate consumers of production, individuals would decide the policy of production. Yet Douglas's definition of unearned increment overlooked the role of the non-producing consumer, the unemployed, who Douglas argued would make up an ever increasing proportion of the community. Aberhart's definition recognized their contribution.

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[74] *ASCC*, 15 Feb. 1935

Aberhart's definition of the unearned increment was also influenced by Douglas's understanding of real credit. Douglas defined real credit as the ability of a system to produce and deliver goods as, when, and where required by potential consumers up to the level of consumer demand; it was the joint creation of producers and consumers. Aberhart redefined real credit to reflect his definition of the unearned increment. Real credit was "the credit which the consumer receives because he has goods to sell or service to render, as, when or where required." The confusing substitution of consumer for producer in this statement was no accident.[75] Aberhart provided a similar definition for social credit:[76]

> Social Credit is that form of credit which arises from the association of individuals together which enables them to make use of the goods and services as, when and where delivered, before they are destroyed, disintegrated, or seized by others. It involves a flow of real credit that manifolds its usefulness. It is the unearned increment of real credit secured by association.

Every individual contributed to the social credit of the community.[77] As the *Chronicle* put it, social credit was "inherent in the person."[78]

In religious terms, Aberhart's definition of social credit was a declaration that every individual had the potential for salvation. Salvation required faith and God's grace freely given. His definition of the unearned increment and real credit in terms of the consumer also allowed him to maintain the separation between the conspiracy -- a plutocracy that included financiers, big industrialists, and monopolists and was, in the final analysis, a tool of the Antichrist -- and the people -- who were potentially members of the pure church of the saved.

Aberhart identified price spreads as the mechanism by which the conspiracy passed the costs of intermediary production as well as the exorbitant profits charged by plutocrat-controlled industry on to the consumer. "Under the present economic system," he explained, "it is this unearned increment value that enables the producer and distributor to sell goods at prices far in excess of the actual cost of production. They are thus enabled to make the consumers pay for the factory and plant equipment, and in addition, provide exorbitant profits for the individuals controlling the means of production."[79] Douglas regarded profit as less important to the conspiracy's power than the ability to pass on to consumers the overhead charges resulting from the inclusion of the costs of intermediary production.[80] Aberhart's price spread concept had largely emerged from the implications of Douglas's idea that the conspiracy had moved beyond its monopoly over credit creation in its efforts to control the marketplace. Unlike Douglas, Aberhart emphasized the power that the full-blown, plutocratic conspiracy with its trusts and vast corporations had to control prices by cornering markets and manipulating stock market fluctuations.[81] That description better suited conditions in Alberta, which "imported" most manufactured goods. The benefits of intermediary production accrued elsewhere, but Alberta paid the costs. The idea that an external plutocracy exploited consumers through price spreads was a commonplace for most Albertans; Aberhart was also obviously influenced by the 1934 H. H. Stevens Royal Commission into price spreads.[82] Referring to the Stevens inquiry, Manning charged that the "exploiters of society" were reaping profits as high as 200 to 300% by taking advantage of the unearned increment value added by the consumer."[83]

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[75] See Manning's comments in Ibid., 10 Aug. 1934.

[76] Aberhart, *Social Credit Manual*, 59

[77] *ASCC*, 20 July 1934

[78] Ibid., 5 May 1935

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[79] Ibid., 1 Feb. 1935

[80] Douglas wrote: "the effect of the concrete sum distributed as profit is overrated in the attacks made on the capitalistic system, and is ... increasingly less important than the overhead charges added to the value of the product in computing its factory cost" (*Control and Distribution of Credit*, 58-59). Manning offered virtually an identical explanation to that of Aberhart: "Producers of goods take advantage of the Social Credit of the consumers by charging into the selling price of their products, excessive overhead charges and exorbitant profits" (*ASCC*, 12 Oct. 1934). The difference between Aberhart's and Douglas's definitions led to Macpherson's charge that Aberhart's unearned increment "was confused with profiteering through price-spreads and [echoing Douglas] became almost unrecognizable" (*Democracy in Alberta*, 149). Elliott and Miller incorrectly equate Aberhart's unearned increment to excessive profits (*Bible Bill*, 154-55).

[81] *ASCC*, 3 Aug. 1934; also see Manning's comments in Ibid., 10 Aug. 1934.

[82] For one instance, see Ibid., 31 Aug. 1934.

To summarize, although Aberhart defined the conspiracy in terms of a plutocratic elite that ultimately was in league with the Antichrist, his understanding of the conspiracy and its powers was essentially in line with that of Douglas. In Aberhart's analysis as in Douglas's, there was no free marketplace determination of prices in the existing economic system. The conspiracy manipulated and controlled prices. In both Aberhart and Douglas social credit, the immediate source of the conspiracy's power lay in its ability to create financial credit without costs and to pass the costs of intermediary production on to the people as prices without an equivalent sum provided through wages. In both, the people were being robbed of the unearned increment of association, although Aberhart redefined the unearned increment to designate the value the public added to products as consumers rather than producers. Aberhart's constant attacks on the plutocratic conspiracy did tend to blur Douglas's concept that the conspiracy's power had originated in the separation of credit creation from production. But Aberhart was more concerned with the tactics the fully developed conspiracy was using in the 1930s as it prepared for the final apocalyptic battle than with the origins of the conspiracy's power. Finally, both Douglas and Aberhart were imbued with the conviction that the course of history was leading inevitably to a fast approaching apocalyptic conflict. Douglas saw the course of history as running counter to progress and evolution, Aberhart, to God's law.

Although Aberhart accepted that the conspiracy was in the third stage of development, he did not emphasize the concept of pyramidal control. Aberhart shared Douglas's fear that centralization undermined individual volition. His fear, once more, was grounded in his religious beliefs. Numerous scriptural passages warned of an apostasy in the church in the final days that would lead to a "great ecumenical superchurch."[84] From 1919, fundamentalists had opposed centralized organizations of evangelical denominations such as the Federal

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[83] Ross papers, 71.420, file 25, "Radio Address by Ernest Manning Under the Auspices of the Alberta Social Credit League over CFCN, Calgary and CJCA, Edmonton, Tuesday July 30th, 1935"

[84] Ryrie, *Dispensationalism Today*, 82. See I Tim. 4:13, II Tim. 3:1-5, and Rev. 17.

Council of Churches and the Interchurch World Movement as leading towards that apostasy.[85] Aberhart had regarded the 1925 formation of the United Church of Canada, which gathered many of the nation's Methodist, Presbyterian and Congregational churches into one organization, as a foreshadowing of the apostate church at the End of Times.[86] Indeed, fundamentalism's sectarian thrust and its emphasis on individual salvation through faith were both in opposition to the centralization of authority and diminution of individual responsibility that Douglas feared. Many of Aberhart's attacks on trustified industries and monopolies and his cures for the capitalist system implicitly recognized the dangers of centralized control for the individual, but he did not specifically use the term centralized pyramidal control.

Nor did Aberhart recite Douglas's litany about how the conspiracy had determined specific world events. Aberhart was sympathetic to Douglas's explanation of world events. Again, such sympathies were not surprising given Aberhart's religious beliefs. Erling Jorstad argues it was common for fundamentalists as early as the 1920s to detect Satan's directing hand behind Germany's role in the First World War and the Russian Revolution, and to believe in a "diabolically clever world conspiracy made up of Kaiserism, evolutionism, Bolshevism, higher criticism, and liberal theology. All were of the same cloth since all would overturn Christian institutions and make this world the Devil's paradise."[87] The *Chronicle* carried occasional articles, in particular those penned under the byline "Apex," which repeated both Douglas's explanations of events ranging from the First World War to the depression and his diatribes against supposed members of the conspiracy like Montagu Norman.[88] For now though, Aberhart's attention was more on the present, on the depression, on man's enslavement to the Golden Moloch, and on the possibilities of breaking the bonds of slavery through social credit.

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[85] Sandeen, *Roots of Fundamentalism*, 245

[86] Elliott and Miller, *Bible Bill*, 70

[87] Erling Jorstad, *The Politics of Doomsday: Fundamentalists of the Far Right* (Nashville and New York: Abingdon Press, 1970), 24

[88] *ASCC*, 28 Sept. 1934, 18 Jan. 1935

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Despite Finance's tightening grip on the levers of power in the economic, social, and political systems -- and on humankind, itself -- William Aberhart, like Major Douglas, saw reasons for hope. Aberhart, of course, did not share Douglas's belief in evolution. But, as will be discussed more fully in the next chapter, he did see a possibility of social betterment. By 1934-35, he recognized the role that Douglas claimed sabotage, loans, and exports played, and he, too, saw reason for hope in the character of the British people and in social credit.[89] Like Douglas, Aberhart claimed that man must be freed from the conspiracy and given a fair economic return for his labour if he was to reach his full potential. The difference was that Aberhart understood that potential in terms of individual salvation. Like Douglas as well, when the control of the conspiracy was cast aside, Aberhart wanted to retain the benefits of machine production. Alberta Social Credit looked to science to solve production and manufacturing problems, to make up for Alberta's resource deficiencies and, thereby, to create virtual self-sufficiency within the provincial economy by developing new industries.[90] Social credit would scientifically balance production with consumption. In Lawrence's terms, Aberhart was accepting the instrumental benefits of modern society but rejecting the attendant value changes. Douglas argued that, while respecting the difference between policy and administration, pyramidal organization should be retained: it was the right way to secure specific ends. Alberta Social Credit, itself, was emerging as a pyramidal organization built on a base of local groups, then zones, constituencies, divisional conferences, and, at the apex, the delegates to the north and south provincial conventions that voted on policy.[91] The party drew its strength from the local study groups and, theoretically, had the one goal of establishing a social credit economy in the province.

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[89] Ibid., 26 Oct. 1934, 7 Dec. 1934; Palmer, *Patterns of Prejudice*, 150, 160. In terms of export, Aberhart shared Douglas's belief that when Britain exported capital goods to countries that then competed with Britain, it exported real wealth, leading to a lack of purchasing power in Britain (*ASCC*, 5 Oct. 1934). He claimed social credit would allow a country to gain control of its own export trade by balancing the value of exports against the value of imports which would also end the selfish competition among nations seeking advantage over one another (Ibid., 7 Sept. 1934, 9 Nov. 1934, 31 Aug. 1934).

[90] Ibid., 28 Sept. 1934

[91] Irving, *Social Credit Phenomenon*, 138-39

To establish social credit required numerous reforms to the existing economic system. Just how dramatic and widespread Aberhart believed those reforms must be becomes clear when his interpretation of Douglas's three-part "cure" for capitalism is studied: the end to Finance's monopoly over credit creation and the vesting of control over the policy of credit creation in the public, the creation of purchasing power outside the production cycle to equate production with consumption, and public control over the policy of productive enterprise.

To end Finance's monopoly over credit creation, Aberhart, like Douglas, rejected solutions based on socialism, communism, nationalization, and technocracy.[92] He followed the option Douglas had chosen in the Mining Scheme and scheme for Scotland and promised to establish Provincial or State Credit Houses as an alternative to the banks. The Houses would distribute "Alberta credit" in the form of non-negotiable certificates. All salaries and wages would also be paid in Alberta credit.[93]

To make up for the short fall of purchasing power that Douglas had identified as endemic to the existing economic system, Aberhart, like Douglas, called for a combination of dividends, price discounts, a just price, and interest free loans to producers.[94] Both also called for a thorough survey of the economy and a registration of citizens in preparation for the introduction of social credit. Douglas specified that the balance sheets of businesses would be examined prior to establishing productive capacity and price discounts. Aberhart, perhaps due to political considerations, was more circumspect and simply emphasized that he would establish just prices.[95] Anyone who understood social credit recognized that establishing just prices required some knowledge of each business's accounts. Douglas stressed price discounts more than Aberhart, who focussed on the dividend.

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[92] Aberhart, *Social Credit Manual*, 57; also see *Calgary Herald*, 18 Feb. 1933, p.3; *ASCC*, 20 July 1934; Ross papers, 71.420, file 25, "Broadcast by William Aberhart over CFCN, Calgary, and CJCA, Edmonton, Tuesday, June 18th, 1935." Communism and socialism were rejected by most fundamentalists for their atheism and liberalism (Ellis, "Baptists and Radical Politics,"172).

[93] Aberhart, *Douglas System of Economics*; Aberhart, *Social Credit Manual*

[94] Aberhart's support for price discounts and interest free loans to producers can be found in the *Douglas System of Economics* and the *Social Credit Manual*.

[95] *ASCC*, 17 May 1935

Once again, Aberhart defined some of his terms differently. In keeping with constitutional realities, Aberhart referred to Provincial Credit Houses and to basic rather than national dividends that would be paid in non-negotiable certificates rather than Canadian currency. In the Yellow Pamphlet he suggested the basic dividend would be $20 per month but later switched to $25 per month. While he ostensibly stated that figure merely for illustrative purposes and pending a survey of the economy, for all intents and purposes, the $25 dividend was the central election platform of Alberta Social Credit.[96] Douglas had also attached a tentative monetary figure to the dividend in his Scottish scheme.[97] Aberhart wanted the basic dividend to be sufficient to cover the basic necessities of food, clothing, and shelter, and $25 was considered adequate for that purpose.[98] The idea came from Douglas's belief that the basis of individual freedom lay in economic freedom. Since employment for all was not the proper goal for an economic system, the dividend must be sufficient to provide the individual with the basic necessities required for his freedom even if he was not employed.[99]

Both Aberhart and Douglas emphasized that the individual must co-operate if he was to receive the dividend.[100] Manning explained: "Under Social Credit, every bona fide citizen of this province will be paid the regular monthly basic dividends as long as he is willing to co-operate in the necessary functions of the state to the extent of being willing to work when work is offered to him at a just wage, regardless of what his past attitude towards Social Credit may have been."[101] Both Aberhart and Douglas promised that salaries would be earned in addition to the dividend. Douglas's plan for Scotland would have reduced salaries by 25% as a result of the dividend. Aberhart specified that salaries would be paid in credit -- necessary because Alberta could not constitutionally create its own money -- and that wages would not be decreased due to the dividend.[102] Unlike Douglas, Aberhart insisted that the dividend be spent only on necessities. He also cited more restrictions on who would receive the dividend than Douglas. Any citizen squandering his dividend and becoming a charge on the state would be placed on an "Indian list."[103] Lack of respectability or immoral character could likewise result in suspension of the dividend.[104] Aberhart insisted, however, that the government "must be careful and sympathetic in all enquiries, as we know there are many people who are sub-normal, and basing social credit on Christian principles we must investigate these cases in a Christian manner and with Christian guidance."[105] Since there was no dole and since the citizen would still be subject to the just price and to regular taxes, he would be forced to work.[106] Actually, Douglas's plan for Scotland also required citizens to work during the first five years the plan was in effect, in the field in which the previous census had classified them. Refusal would lead to the suspension of the dividend. Finally, both Douglas and Aberhart would not provide the dividend to any citizen earning above a specified maximum, though Douglas saw this restriction as temporary.[107]

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[96] Ibid., 2 Nov. 1934, 8 March 1935

[97] Douglas, *Douglas Speaks*, 94

[98] Aberhart, *Social Credit Manual*, 14

[99] Douglas, *Control and Distribution of Credit*, 101, 43; Douglas, *Economic Democracy*, 16-17

[100] Aberhart, *Douglas System of Economics*, 3; Aberhart, *Social Credit Manual*, 14

[101] Ross papers, 71.420, file 25, "Radio Address by Ernest Manning from the Calgary Prophetic bible Institute, Sunday August 4th, 1935"

A good deal of confusion surrounded Aberhart's proposals to pay for the dividend. His Yellow Pamphlet suggested that the introduction of the dividend would be accompanied by a plan to eliminate provincial and individual debts. The radical measures inspired by Douglas's Draft Scheme for Scotland and called for in the Yellow Pamphlet -- the transfer of bank accounts, life insurance policies, and even private property to the state -- that were greeted with ferocious opposition by the province's boards of trade and chambers of commerce[108] had primarily aimed at eliminating Alberta's debts. Douglas stressed that Finance controlled governments through debt and Aberhart regarded the elimination of debt as a necessary first step for establishing a social credit state in Alberta. Under pressure from business, however, Aberhart soon began to recant his Yellow Pamphlet proposals. He rejected the proposal for surrendering the cash value of insurance policies and assured the public there would be no interference with private property, funds, or savings.[109] The Yellow Pamphlet, he insisted, had simply been an early and rough draft that he had written to stir up people's minds. He did not advocate the confiscation of wealth, though he admitted that succession duties would exist: "Why should a few individuals be allowed to amass immense fortunes which they hoard up and pass along to their heirs while others starve?"[110]

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[102] Aberhart, *Social Credit Manual*, 14, 23, 41

[103] Ibid., 31-33

[104] *ASCC*, 3 Aug. 1934

[105] Ibid., 3 May 1935

[106] Aberhart, *Social Credit Manual*, 33

[107] Ibid., 55. Finkel misses the Douglas origins of Aberhart's proposal to set limits on incomes for the dividend (*Social Credit Phenomenon*, 34).

To explain how the dividend would be funded, Aberhart employed Colbourne's analogy between the flow of credit in a state and the flow of blood in a human bloodstream. In the same way as blood was pumped over and over yet sustained the human body, only a small amount of dividend credit would be needed to maintain the credit flow and business of the province. Aberhart suggested the dividend would be paid out of a revolving fund of $10 million.[111] According to Manning, the "Perfect Cycle of Credit" would commence with the state advancing credit to producers and consumers.[112] His intent was evidently that the advance would consist of newly created purchasing power. To maintain the flow of credit, Aberhart, unlike Douglas, insisted that all dividend credit would have to be spent within one year of its issue.[113] Aberhart was not always categorical that the first $10 million would be created outside the production cycle, however, and he suggested that the flow of credit and the rate of turnover would help fund the balance of the dividend, estimated at an additional $110 million. Douglas's criticism, that Aberhart thought purchasing power increased with the rate of turnover was partly valid at this time. Elliott suggests that Aberhart's understanding of the flow of credit was influenced by Silvo Gesell, an "economic heretic" with whom Aberhart was familiar.[114] While this is possible, Aberhart had rejected the Gesell system as unsatisfactory as early as 1932-33.[115] Keynesian theories about countercyclical budgeting may have led Aberhart to believe that the positive impact of a $10 million injection of spending power would trigger a more general economic recovery. More importantly, the dividend was not to be funded solely by the $10 million augmented by the rate of turnover. Part of the reason critics thought Aberhart was not calling for a creation of new purchasing power was that he often explained that he would pay for the dividend through the establishment of a just price that would eliminate the exorbitant profits supposedly embodied in price spreads.[116]

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[108] The Edmonton Chamber of Commerce, for instance, warned that Aberhart's scheme threatened "the ultimate mortgaging or confiscation of all private property ("The Dangers of Aberhart's Social Credit Proposals: Statement by the Edmonton Chamber of Commerce," [Edmonton, Commercial Printers, 8 Aug. 1935]).

[109] *ASCC*, 20 July 1934, 27 July 1934, The positions Aberhart had taken in the Yellow Pamphlet were repeatedly cited by opponents and Aberhart had to keep recanting. See the PAA, J.F. Lymburn papers, 70.158, file 47, "Radio Address by William Aberhart from the Prophetic Bible Institute, Sunday, June 2nd, 1935."

[110] *ASCC*, 22 Feb. 1935

[111] Ibid., 4 Jan. 1935, 23 Nov. 1934, 3 May 1935

[112] Ibid., 23 Nov. 1934, 24 Aug. 1934

Douglas's just price was to balance production and consumption by applying a price discount that reduced the cost of articles below the cost of production. Douglas usually explained his formula for determining the price discount as the ratio Price : Cost as Consumption : Production. As a simple illustration using a ton of coal, Douglas would explain that if the cost value of total national consumption (including depreciation and exports) was $15 million and the cost value of total national production (including capital appreciation and imports) was $20 million, then the price discount would be 25% applied to the cost per ton of coal.[117] Douglas's idea was that as dividend income augmented purchasing power, the discount rate would automatically adjust. Substituting shoes for coal, Aberhart used the same formula in his Yellow Pamphlet, but, instead of applying a price discount, he completed the equation and arrived at a fixed just price for a pair of shoes. Criticisms led Aberhart to change his explanation of the just price.

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[113] Aberhart, *Social Credit Manual*, 23; Smith papers, M1157, file 83, "Radio Broadcast over CFCN, Calgary and CJCA, Edmonton, Tuesday, July 23rd, 1935, under the auspices of the Alberta Social Credit League by Mr. William Aberhart, B.A."

[114] Elliott and Miller, *Bible Bill*, 156-57

[115] Irving, *Social Credit Movement*, 51

[116] Finkel tends to ignore the radical implications of Aberhart's statements regarding price spreads (*Social Credit Phenomenon*, 34).

[117] Douglas, *Credit Power and Democracy*, 151

By mid-1934 and through most of 1935, Aberhart explained the just price of an article as the sum of seven separate costs: raw material, machine labour, human labour, overhead charges of depreciation and insurance, handling charges, a fixed commission based on turnover for the producer, wholesaler, and retailer, and an unearned increment levy "representing the value given to the goods produced, by the demand of society as a collective body of consumers."[118] All the costs Aberhart listed except the commission on turnover and the unearned increment levy were probably drawn from Douglas's explanation that the selling price of an article was made up of the costs of staple material, labour and salaries, plant cost, selling charges, and profit.[119] The idea of a commission on turnover was drawn from Douglas's plan for Scotland.[120] Both Aberhart and Douglas saw the just price as eliminating the profit system.[121]

The significant changes Aberhart made to Douglas's just price concept, then, were the inclusion of the costs of intermediary production in the just price and the introduction of the unearned increment levy. Aberhart's just price would still control the rate at which the costs of intermediary production were passed on to consumers by regulating price spreads, which included excessive profits and the costs of intermediary production. The levy would capture for the consumer's use part of the value that the exploitative producers were improperly retaining as profits through price spreads. Diverted profits would then help pay for the dividend. In Aberhart's theory of the just price, the sum of the commission on turnover and the unearned increment levy would still be less than the exorbitant profits hidden in price spreads. Prices to consumers would therefore go down,[122] though this was hardly what Douglas had in mind when he explained price discounts. Aberhart's unearned increment levy would also allow for the recovery of the initial $10 million injection of dividend credit. Aberhart repeatedly issued denials, but the levy was a form of taxation.[123] Balancing production and consumption would be a bureaucratic nightmare since it would depend on individual just prices for every product and service.

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[118] *ASCC*, 16 Nov. 1934. For an alternate explanation of the just price, see Ross Papers, 71.420, file 25, "Broadcast by Ernest C. Manning over C.F.C.N. Tuesday, April 23, 1935."

[119] Douglas, *Economic Democracy*, 64

[120] Macpherson did not recognize the Douglas origins of Aberhart's commission on turnover idea (*Democracy in Alberta*, 150).

[121] In the Yellow Pamphlet, Aberhart called only for the elimination of profits on necessities but later he talked of the commission on turnover eliminating all 'excessive' profits. The implication of a commission on turnover was that the profit system, as such, would disappear.

Aberhart argued that world prices would not affect prices in Alberta. Producers of exports where the just price was higher than the world price would be bonussed through unearned increment levies on imports. If an import's price was lower, the unearned increment levy would increase its just price to the provincial equivalent.[124] The constitutional implications of levying "imports" were enormous. Douglas also suggested Alberta could employ its social credit to overcome world prices.[125]

Aberhart and Manning explained how the entire credit cycle would work. According to Manning, the cycle would commence with interest-free production loans to producers, followed by the actual production of goods and the computation of the just selling price. Purchasing power in the form of basic dividends would then be created and distributed prior to the sale of goods so that the purchasing power in the hands of the consumer equated to the total value of consumable goods.[126] Once the goods were sold, Aberhart explained, the various portions of the just selling price would be allocated to pay for raw materials, human and machine labour, depreciation on plant and equipment, insurance and overhead, and commissions on turnover, while the unearned increment levy would be returned to the government "to equate the amount issued to the consumers in the form of basic dividends."[127] They claimed it was a perfectly balanced scientific system.

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[122] Aberhart, *Social Credit Manual*, 27, 41; for Manning's explanation see *ASCC* 10 Aug. 1934.

[123] "A direct tax is a confiscation of purchasing power. The indirect tax is merely shifted as an increased price and once again results in the confiscation of purchasing power.

"Now a levy is different from that. It simply means a part of the price of the goods, is in reality a genuine part of the market price. To illustrate, gasoline tax or sales tax is a real tax. They increase the price of goods to the consumer by reducing its [*sic*] purchasing power. It has no part whatever in the real price of the goods. On the other hand, wages, interest, profit, unearned increment, are all levies" (Ross papers, 71.420, file 25, "Radio Broadcast by William Aberhart, B.A. over CFCN Calgary, May 14, 1935").

[124] Aberhart, *Social Credit Manual*, 35-37; *ASCC*, 24 Aug. 1934, 21 Sept. 1934

[125] See Douglas's testimony before the Alberta Agricultural Committee in *The Douglas System of Social Credit, Evidence taken by the Agricultural Committee of the Alberta Legislature, Session 1934* , 101.

Aberhart gave the entire scheme biblical authority in his interpretation of Jesus throwing the money changers out of the temple:

> The first time Jesus drove them out, they sneaked back in again when he went on his way. A little later he came back and drove them out again. Then he called his followers and gave them their Unearned increment in the form of one dividend. You will find it in Luke 19:16. The result was that No. 1 started his pound [in gold coins] on the flow of credit and made 11 pounds. The second man did the same and came out with six. The third man said it was a fool idea. It couldn't be done. There could be no flow of credit, so he rolled his pound in a napkin and blocked the whole works.
>
> In other words, the result was that three pounds produced 18 pounds, or i.e., a velocity of circulation of 6. Today we have 50 of these Big Shots who are holding on to all they have so there is little flow of credit.[128]

Aberhart had often explained how it was possible to break the grip of the Big Shots. In another biblical allusion, this time to David's defeat of Goliath, he recalled how a giant had been overcome in days gone by: "In the name of God, David faced the Giant and slew him, thus delivering the people from oppression and probable destruction. We face a Giant today. By ingenuity we can deprive him of his power. The sling of Credit loans without interest and the non-negotiable Certificated stones will destroy his grip, and deliver us from his power."[129]

Manning and Aberhart's explanations of the business cycle left obscure one significant aspect of Douglas's theory. Aberhart usually stated that the unearned increment levy was to be equal to, and allow for the recovery of, the dividend.[130] Explained this way, the dividend would cancel itself out. If administration costs were omitted, changes for consumers under Aberhart social credit would consist of the initial creation of credit outside the costing system, the elimination of the "exorbitant profits" embodied in price spreads, the substitution of a commission on turnover for the profit system, and the redistribution to all consumers of an equal credit in the form of the dividend. The ongoing injection of purchasing power that was integral to Douglas's concept of potential production was missing. There would apparently be no ongoing injection of new purchasing power as the economy grew.

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[126] Ross papers, 71.420, file 25, "Radio Address by Ernest Manning, Under the Auspices of the Alberta Social Credit League, Friday, August 2nd, 1935"

[127] *ASCC*, 15 Feb. 1935

[128] Ibid., 3 May 1935

[129] Ibid., 26 Oct. 1934

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Like Douglas, Aberhart promised that his version of social credit would not interfere with private property or its customary rights, yet the implications for free enterprise were just as serious as under Douglas social credit. Aberhart explicitly stated that the just price with its commission on turnover would replace the profit system and establish maximum prices for all goods for sale in Alberta.[131] A company disagreeing with the Just Price would still have to obey social credit laws. In one speech, having reviewed the advantages of social credit, Aberhart expanded on the implications of not co-operating:

> there could be no valid reason for hesitation or refusal to accept non-negotiable certificates . . . One thing is certain, any merchant who refused, could not long continue to compete in business with those who recognized both the convenience and security of this simple medium of exchange for the efficient and scientific transaction of business in this modern age. If any business man refused he would quickly lose his trade and if he persisted would ultimately reduce his income to such an extent that it would be impossible for him to continue in business. No sane business man would ever be guilty of this form of economic suicide.[132]

Businesses would participate in social credit or they would go under since they would not receive the benefits of production loans and price discounts and the public would most likely boycott them. To make sure that businesses followed price guidelines, yet avoid the need for a large staff of inspectors, Alberta Social Credit would invite consumers to monitor businesses.[133]

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[130] Ibid., 15 Feb. 1935, 3 May 1935, and Manning's explanation of 24 Aug. 1934

[131] Ibid., 3 Aug. 1934

[132] Ibid., 19 April 1935

Like Douglas, Aberhart proposed a drastically restricted sphere of operations within which the already gutted system of free enterprise would function. Although, as mentioned, Aberhart was less forthright about public control over the policy of production, both his Yellow and Blue pamphlets referred to producers being directed from time to time regarding what should be produced.[134] Improvements in process, as part of intermediary production, would benefit the entire community. The legitimate role for individual enterprise would be realized after every man, woman, and child was fed, clothed, and sheltered.[135] Again, Aberhart reinforced his ideas with religious allusions:

> The appeal of God today is for the individual to understand that God's policy is to provide man with a salvation full and free, without money and without price, and then to offer him future rewards for his individual enterprise in the service of God. I am convinced that this is the basic principle of a practical economic system. Government credit, such as advanced by Major Douglas, gives to the individual who is a bona fide citizen of the province, the essentials of physical life, such as food, clothing and shelter, and then offers him additional reward for his individual enterprise.[136]

Competition in the marketplace would largely give way to co-operation.

Although Aberhart social credit claimed that it would make the individual supreme, as in Douglas social credit, numerous restrictions on traditional individual freedoms were contemplated. Citizens would not have to work but they must "co-operate." Wages would be paid in Alberta credit directly into citizens' accounts at the State Credit House. Just wages would probably also be fixed by experts.[137] Maximum incomes would be fixed. Restrictions might be imposed on citizens leaving the province "carrying away more than they and their loved ones could use for the rest of their lifetime."[138] Succession duties on inheritances would be enacted and, as discussed, non-co-operating citizens would be penalized.

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[133] Ibid., 3 May 1935

[134] Aberhart, *Douglas System of Economics*, 4; Aberhart, *Social Credit Manual*, 23

[135] *ASCC*, 21 Sept. 1934

[136] Smith papers, M1157, file 30, Aberhart to J. H. Caldwell, 2 Feb. 1933

[137] Aberhart, *Social Credit Manual*, 14, 23, 41

Unlike Douglas, Aberhart clearly rejected violent and revolutionary change to remove Finance from power.[139] Social credit would be achieved in Alberta through constitutional means and, as will be discussed fully in the next chapter, through the united action of the people.[140] Given the advantages of social credit, the banks would not last long. According to Aberhart, credit transactions within the province would take place through the Credit Houses. All wages would be entered as credit on citizens' accounts at the Credit Houses,[141] and merchants who did not participate in the Credit House scheme would be penalized and therefore have difficulty continuing in business. Transactions outside Alberta's "sovereign" credit territory and therefore requiring Canadian currency would also take place through the

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[138] Ibid., 51-53

[139] A rare exception is the violence implicit in Aberhart's radio broadcast of 15 June 1935:

> Some people would have us believe that man has not the sense of the animals. I can hardly believe that. Just think of this. When the beehive contains too many drones (the fellows who live on the choicest nectar of the colony, whose favourite pastime is entertaining the queens) when the beehive contains too many drones, the worker bees, these tiny little bugs that you could brush with your little finger, are intelligent enough to eliminate the surplus drones. If they didn't, the whole colony would fall into a depression in which they would all die of slow starvation. That is what is the matter with us. If we had the sense of a bee we would see that we have too many financial drones who are useless in the first place and who continually seize upon the total production of the colony. The redemptive work of the colony is done by co-operation. Each worker bee does his part. Are you and I worker bees or are we drones?(Ross papers, 71.420, file 25, "Radio Address by Wm. Aberhart, Friday, June 15th, 1935 over CFCN")

[140] *ASCC*, 7 Dec. 1934

[141] Aberhart, *Social Credit Manual*, 23

Credit Houses.[142] Aberhart's clear intent was that the orthodox banks would simply wither away.[143] The savings accounts of the depositors, however, would not be confiscated.

Aberhart, like Douglas, endorsed the concept of the bondholder state,[144] but, in application, his ideas would have increased the powers of the state even more than those of Douglas. Aberhart's search for a way to institute social credit in Alberta led him to concentrate on Douglas's schemes for implementing social credit. As indicated in the last chapter, compared to most of Douglas's works, those schemes emphasized the role of the state and paid less attention to individual freedom. Consequently, Aberhart invested the state with tremendous power. Under Aberhart social credit, the state would advance the credit that would allow producers to produce, provide dividends so individuals could consume, fix just prices, ensure consumers spent their credit within one year, and place non-co-operating citizens on the Indian list or withdraw their dividend. If the public was to control the policy of production, it would be through the state. All external trade would be paid for through the State Credit Houses.[145] Prior to his election, Aberhart paid limited attention to the role Douglas gave experts in his system. Perhaps that made the powers Aberhart planned for the state even more disturbing, for he did not clearly distinguish between the state and Social Credit. He conceived of Social Credit's task in terms of a simple dichotomy. Social Credit was leading the people into a holy battle against the plutocracy, which, itself, was ultimately in league with the Antichrist. The state, like Social Credit, was the embodiment of the people's will.

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[142] Ibid., 37

[143] Social Credit would not use the banks at all and it assumed the number in the province would decline soon after social credit came into effect. Smith papers, M1157, file 30, Aberhart to J.H. Coldwell, 23 Sept. 1933; Ross papers, 71.420, file 25, "Broadcast by Wm. Aberhart over CFCN, April 30th, Tuesday [1935]"

[144] Aberhart, *Social Credit Manual*, 19

[145] Ibid., 23, 37

Chapter Four

'GOING OVER THE TRENCHES': SOCIAL CREDIT RUNS FOR OFFICE

i

The message Aberhart took to the people of Alberta starting in the fall of 1932 met with tremendous response. With blurring speed, his band of volunteer workers, centred in the Calgary Bible Institute, expanded across Calgary and through the south of the province, and, in 1934, north to Edmonton and beyond. In the process, Aberhart's following became less a religious and more a secular movement, and, then, after months of denying intentions of running in the next provincial election, a political party. As the 22 August 1935 election approached, the official Social Credit ideology described in the last chapter began to change as a result of the influence of the grass roots, Aberhart's uneasy relations with Douglas and the UFA government, and the criticisms of Social Credit's opponents.

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"'The Depression' and the inevitable questioning it aroused in the minds of a lot of people prepared the ground. The misery, destitution and slum conditions of the people in a country as wealthy as Canada was [sic] a puzzle that almost forced us to think, and the inane and stupid explanations given us by politicians and orthodox economists aroused a suspicion in our minds that there was something rotten in the state of our democracy... And then along came the school teacher..."[1] So wrote Norman B. James in his 1947 *Autobiography of a Nobody*. James was right. The depression did much of the work in preparing the people for Social Credit. Then the teacher, Aberhart, finished the job.

The depression created acute human suffering in Alberta. A region of recent settlement, late conversion to machine farming, and, consequently, high debt ratios, Alberta was still highly dependent on agriculture for its economic health. The collapse of world wheat prices, followed by drought, dust storms, and insect plagues damaged not just the farming sector but the entire economy.[2] This was not the first time the province had been struck by such problems, for the prairie dry belt disaster of the early 1920s had devastated southeastern Alberta.[3] The prairie region had developed a variety of responses to its economic problems. Farmers organized into co-operative movements, lobbied the federal Liberal government, and attempted independent political action.[4] Labour experimented with industrial unionism, independent political action, and, in Alberta, co-operation with the UFA.[5] Regional boosters lobbied for government assistance while continuing to boost the region's potential.[6] At times, the sometimes conflicting interests of the region's different population groups converged into a populist protest.

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[1] Norman B. James, *The Autobiography of a Nobody* (Toronto: J.M. Dent & Sons [Canada] Ltd., 1947), 156

Like other similar North American populist protests, prairie populism targeted outside capitalist interests, the railways, elevator companies, farm implement manufacturers, and banks, that still largely controlled access to the region's supplies, markets, and capital.[7] From a westerner's point of view, the market and the banking system seemed to be rigged to the West's permanent disadvantage.[8]

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[2] Howard Palmer with Tamara Palmer, *Alberta, A New History* (Edmonton: Hurtig Publishers, 1990), 244-54; Elliott and Miller, *Bible Bill*, 102; Finkel, *Social Credit Phenomenon*, 14-15

[3] David C. Jones, *Empire of Dust: Settling and Abandoning the Prairie Dry Belt* (Edmonton: The University of Alberta Press, 1987)

[4] Ian MacPherson, *Each For All: A History of the Co-operative Movement in English Canada, 1900-1945* (Toronto: The Macmillan Co. of Canada Ltd., 1979); W.L. Morton, *The Progressive Party in Canada* (Toronto: University of Toronto, 1950); John Herd Thompson, *The Harvests of War: The Prairie West, 1914-1918* (Toronto: McClelland and Stewart, 1978)

[5] David J. Bercuson, *Fools and Wise Men: The Rise and Fall of the One Big Union* (Toronto: McGraw-Hill Ryerson, 1978); Alvin Finkel, "The Rise and Fall of the Labour Party in Alberta, 1917-1942," *Labour/Le Travail* 16(1985), 61-96; Warren Carragata, *Alberta Labour: A Heritage Untold* (Toronto: J. Lorimer, 1979)

[6] On prairie boosterism, see A.F.J. Artibise, "City-Building in the Canadian West: From Boosterism to Corporatism," *Journal of Canadian Studies* 17:3(1982), 35-44

[7] John F. Conway, "The Prairie Populist Resistance to the National Policy: Some Reconsiderations," *Journal of Canadian Studies* 14:3(1979), 77-91; John Richards, "Populism: A Qualified Defence," *Studies in Political Economy* 5(1981); John F. Conway, "The Nature of Populism," 137-44; William H. McNeill, *The Great Frontier: Freedom and Hierarchy in Modern Times* (Princeton: Princeton University Press, 1983); Henry Nash Smith, *Virgin Land: The American West as Symbol and Myth* (New York: Vintage Books, 1950), 182

Prairie populism tried to use the political system to overcome the region's economic problems. It blamed the federal government and the party system, in part, because Ottawa's attempt to impose a distinctively Canadian hierarchical society on the west had sometimes frustrated rapid growth; in part, because the West's primary resource base, distance to major markets, and sparse population all made it particularly dependent on the policies of the federal government; and, in part, because the region's elected representatives seemed so ineffective in pressing the West's case. Canada's national policies might have addressed the West's resource and locational disadvantages. Instead, Ottawa's protective tariffs and freight policies promoted increased concentration and centralization of an industrial, financial, and political elite in the east.[9] Although labour and farmers might pursue independent political action, certain political ideas had widespread support. The west's non-partisan tradition stretched back into the 19th century. Thanks partly to immigration from the United States, such direct democracy measures as the initiative, referendum, and recall were widely considered to be more democratic. Alberta, itself, had a complicated system of preferential balloting that was believed to be more democratic. It allowed a voter to number the candidates he or she supported in order of preference.[10]

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[8] Like the farmers, businesses worked together to protect their interests. By the end of the 1920s, there were informal price agreements covering agricultural implements, gasoline, sugar, canned goods and textiles, and more formal agreements regarding fertilizers, leather, rubber footwear, tobacco, some hardware, plumbing and heating equipment (Tom Traves, *The State and Enterprise: Canadian Manufacturers and the Federal Government, 1917-1931* [Toronto: University of Toronto Press, 1979], 76). On western attitudes to the banks see T.D. Regehr, "Bankers and Farmers in Western Canada, 1900-1939," in J.E. Foster, ed., *The Developing West: Essays on Canadian History in Honor of Lewis H. Thomas* (Edmonton: The University of Alberta Press, 1983), 303-36 and Douglas H. Fullerton, *Graham Towers and His Times* (Toronto: McClelland and Stewart, 1986), 72.

[9] Ibid., 5; Roger Gibbins, "Political Change in the 'New West'," in A.W. Rasporich, ed., *Western Canada: Past and Present* (Calgary: University of Calgary, 1975), 37-46

[10] On the non-partisan tradition, see W.L. Morton, *The Progressive Party in Canada* (Toronto: University of Toronto Press, 1950). On Alberta's system of voting, see John D. Hunt, "A Key to P.R., Being an explanation of the Transferable Ballot, and of Proportional

With the coming of the 1930s depression, prairie populism was re-invigorated. The depression discredited many traditional economic and political leaders.[11] Whether it was John Brownlee's UFA government in Alberta or R.B. Bennett's Conservative government in Ottawa, they stood condemned by their failure to counter the terrible impact of the depression. People were looking for new leaders. The depression also placed enormous stress on commonly held assumptions and beliefs. For some, the West was to have been a garden, a paradise of agricultural productivity.[12] The prairie farmer would be the backbone of an egalitarian society free from class cleavages.[13] Others had more mundane interests at heart, seeing in the west's vast agricultural lands and burgeoning towns the opportunity for profit.[14] It was commonly understood that as a society progressed it passed through stages from barbarism to the refinement of civilization. With the example of other nations to learn from and the advantages of modern science, however, it was possible to telescope this evolutionary process.[15] The West might be rapidly industrialized, surging to the forefront of progress, though there was always the danger that industry and urbanization would corrupt the pastoral utopia.[16] Such beliefs had been tested before, particularly during the southern Alberta dryland

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Representation as Adopted by The Alberta Election Act...," in Government of Alberta, Ken War, Chief Electoral Officer, *A Report on Alberta Elections* (Edmonton, 1983), 191-204.

[11] For perhaps the classic statement on the rejection of "culturally sanctioned" leaders by a populist movement, see Goodwyn, *The Populist Moment*, 152.

[12] Doug Owram, *Promise of Eden: The Canadian Expansionist Movement and the Idea of the West, 1856-1900* (Toronto: University of Toronto Press, 1980); R. Douglas Francis, *Images of the West: Responses to the Canadian Prairies* (Saskatoon: Western Producer Books, 1989). For the roots of this idea in North American society, see Leo Marx, *The Machine in the Garden: Technology and the Pastoral Ideal in America* (New York: Oxford University Press, 1967) and Smith, *Virgin Land*.

[13] This idea of a classless society could also be found in the United States. Ibid., 123, 156, 218-19

[14] Paul Voisey, *Vulcan: The Making of a Prairie Community* (Toronto: University of Toronto Press, 1988)

[15] Smith, *Virgin Land*, 267

[16] The hope of rapid industrialization appears to have been most evident in booster literature. The belief that industrialization could serve the rural ideal can be traced back in North American history to the Jefferson era. In this vision, industrialization was the engine

disaster, but the depression of the 1930s was a far greater challenge. Westerners felt betrayed by the promise the future had held. They began to re-examine potential solutions that had been discussed for years but never really given a fair trial: monetarism, socialism, communism, co-operativism, technocracy, and, of course, social credit.

In this atmosphere, when the depression seemed to demonstrate the very truth of social credit -- the absurdity and tragedy of poverty in the midst of plenty[17] -- William Aberhart began explaining social credit. He claimed social credit could end the misery and provide everyone with a share of that plenty, a share he said they deserved as a right of citizenship. Aberhart insisted that social credit in Alberta could be based on the same general principles that Douglas enunciated, but it would require a unique plan suited to Alberta's conditions.[18] The constitution gave the federal government control over most monetary affairs. But, there was a loophole. Alberta could retain the unearned increment from its citizens' social credit, because there would be no need for money. The non-negotiable certificates Social Credit planned to issue were, therefore, legal under the Bank Act.[19] There were other reasons Aberhart may have insisted on a unique plan for Alberta. Douglas had first conceived of social credit as a solution for the problems of industrial Britain. In contrast, Alberta had an underdeveloped economy that was dependent on primary product export. It also had an imposing public debt and was in the midst of a depression.

Aberhart explained that a definite plan would have to wait until after the election, but he mapped out the general steps he would follow in instituting social credit in Alberta. First, the government would undertake a complete survey of the economy and a complete census of the population to establish the total production of the province and the "financial standing of each citizen." The government would also set up Credit Houses for exchanging the non-negotiable certificates and a Just Price Commission, for determining the just selling price for

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of progress, the producer of abundance creating a more egalitarian society. The problem was that no one knew when the process of industrialization should be arrested (Marx, *Machine in the Garden*, 210, 226).

[17] Hiskett and Franklin, *Searchlight on Social Credit*, vii

[18] *ASCC*, 20 July 1934

[19] Ibid., 10 Aug. 1934, 2 Nov. 1934, 19 April 1935

every product and service. Social credit staff, supervisors, and efficiency experts would be trained to operate the system. Within twelve to eighteen months, a Social Credit Act, drafted by constitutional experts, would be proclaimed. Soon after, Aberhart predicted, "[a]n atmosphere of peace, freedom and contentment would prevail throughout the province as the memory of hunger, relief, and the dole was blotted out by consciousness of economic security."[20] It would all be so simple Aberhart seemed to say, and many Albertans came to believe him.

Aberhart has been condemned for his authoritarian tendencies and ridiculed for his fuzzy economics so often that it is easy to forget why so many Albertans trusted him. He was not tainted by any previous record of success or failure in politics. Supporters were attracted by his engaging sincerity, warmth of personality, common touch, humanitarian concern that reached out and embraced those in distress, and infectious confidence in the future. He at least offered the hope of a solution to the real problems people faced and his priorities made sense. He talked about how the community should pull together and co-operatively overcome the hardship its members faced in common. Then individual enterprise would find its proper place. The depression tested essential beliefs and Aberhart addressed some of the more troubling social issues people faced: the replacement of human labour by machine labour, the danger of bureaucratic regimentation, the duty of each generation to maintain and build the cultural heritage for the next generation, the rights of the community versus the rights of the individual, and the need for equality of distribution and a more humane economic system.

The depression and the appeal of Aberhart, alone, explain only part of the success Social Credit had in attracting supporters from a wide variety of backgrounds. That success, as Finkel argues, was also attributable to Social Credit's encouragement of greater grass roots participation when compared to the elite-controlled political parties. Howard Palmer has pointed out that Social Credit proved more willing to accept as members both non-Anglo Saxons and members of religions that were not part of the Protestant mainstream.[21] Social

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[20] Ibid., 30 Nov. 1934, repeated 17 May 1935

[21] Finkel, *Social Credit Phenomenon*, 8; Palmer, *Patterns of Prejudice*, 143

Credit's electoral success crossed "gender, rural-urban, religious, and ethnic lines."[22] As well, the ideas Aberhart discussed appealed to a variety of regional traditions and help to account for that success.

Aberhart's attacks on an external plutocracy pointed to traditional regional enemies: big business, bankers, and politicians situated in the East. Such attacks provided Social Credit with a veneer of regional protest which made it attractive to many Albertans, though the party's actual understanding of regional alienation was at an embryonic stage.[23] Attacks on the plutocracy particularly attracted left wing support. In contrast to Douglas's criticisms of capitalism, which could only be understood after considerable study, Aberhart's animus towards capitalism was unmistakable. He repeatedly and loudly slammed both the financial system and the capitalist system as antiquated, unscientific remnants of an earlier age.[24]

Aberhart social credit's solutions to Alberta's problems also appealed to a variety of regional reform traditions. Farmers, boosters, and businessmen, were all heavily dependent on credit to finance their undertakings, making monetary reform a popular cause. The West's belief in its own future rested on its faith in future production and Douglas's promise to create new purchasing power equal to the costs of intermediary production spoke to the same belief in the value of potential production. Many Albertans who had made a close study of Douglas social credit were not necessarily happy with Aberhart's interpretation, but others were attracted by his promise of easier credit. Albertans were also attracted by Aberhart's claim that Social Credit was non-partisan. Aberhart appealed strongly to co-operative traditions, inviting Albertans to co-operate together so that the community through its government could provide each of them with the basic necessities of life. His promise to eliminate exorbitant profits from prices spreads, to redistribute wealth, and to reduce the sphere in which capitalism operated all added to Social Credit's appeal for socialists. But Aberhart also emphasized respect for individual enterprise. He would give the little guy a break, charting a course that would save individual enterprise by eliminating the unfair rigging of the market place by the big, monied interests. Though Aberhart did not suggest nationalizing the means of production, his call for a strong state was in line with progressive thought of the time. The depression robbed people of control of their own lives.[25] Ordinary citizens, scholars, socialists, and businessmen tried to regain that control by turning to the state for economic and social security.[26] Aberhart promised a social credit state would protect the people against the power of big business and erratic business cycles while providing the equivalent of a guaranteed income through the dividend.

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[22] Howard and Tamara Palmer, *Alberta*, 262-63. Social Credit's appeal to the bourgeoisie was limited.

[23] Finkel points out that, prior to 1935, Social Credit leaders rarely appealed directly to regional alienation by raising such matters as tariffs and freight rates, though regional disillusionment was inherent in Social Credit's attacks on financial institutions headquartered in the East and disregard for constitutional limitations (*Social Credit Phenomenon*, 38-39).

[24] For two good examples, see *ASCC*, 15 Feb. 1935, 7 Sept. 1934.

Aberhart's religious views also attracted support. David Elliott's most important work points to the trend in Aberhart's thinking from fundamentalism to social gospel. Dispensationalism was apolitical, separatist, other-worldly, and oriented to life after death.[27] Aberhart, for instance, at one time or another criticized or denounced as heretical Roman Catholicism, Spiritism, Christian Science, Theosophy, Mormonism, Jehovah's Witnesses, and Seventh Day Adventists.[28] Dispensationalists believed the worsening social conditions of the depression signalled that Christ's return was drawing nearer. Attempting to ameliorate such conditions was futile. Although Aberhart claimed that social credit was "based on the principles of God's great economy," it was, as Elliott points out, really a secular "system of thinking based, in certain respects, on liberal premises" and promising the establishment of the Millennium on earth.[29] According to Elliott, Aberhart did not reject his dispensationalist beliefs but, by identifying the implementation of social credit with the establishment of an earthly paradise, he fell into a "kind of post-millennialism."[30] Elliott also claims that "[f]rom a wide survey of literature on dispensationalism it appears that Aberhart may have been its first active adherent to have fostered a political movement with a positive social character."[31] He attributes the transition in Aberhart's thinking to the depression's negative impact on his followers and, after he became involved in Social Credit, to his leadership ambitions.[32]

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[25] H. Blair Neatby, *William Lyon Mackenzie King, Volume III, 1932-1939, The Prism of Unity* (Toronto: University of Toronto Press, 1976), 154

[26] James Struthers, *'No Fault of Their Own': Unemployment and the Canadian Welfare State, 1914-1941* (Toronto: University of Toronto Press, 1983); Dennis Guest, *The Emergence of Social Security in Canada*, 2nd ed. (Vancouver: University of British Columbia Press, 1985); Doug Owram, *The Government Generation: Canadian Intellectuals and the State, 1900-1945* (Toronto: University of Toronto Press, 1986)

[27] Elliott, "Antithetical Elements in William Aberhart's Theology and Political Ideology," 45.

[28] Smith papers, M1157, box 4, file 30, Aberhart to Mr. J.H. Coldwell, 20 March 1933; Elliott and Miller, *Bible Bill*, 59

Elliott's argument provides valuable insight, but the limitations of Aberhart's transition should be emphasized. Aberhart's fostering of a positive political reform program was unique for dispensationalists, but not for fundamentalists and the difference between the two was one of degree not kind. Fundamentalists have been politically active, working to see their creedal and ethical beliefs legally enforced. In the United States, for instance, Lawrence argues that fundamentalists were particularly prone to adopting the millennial expectations of the nation-state, seeing America as "the land of divine destiny" and working "for the realization of an earthly utopia."[33] They were generally conservative, advocating social action only when it was in line with traditional national values. Although protestant fundamentalists regarded themselves as part of a single religious movement, they were not immune to national or regional political prejudices and pressures.[34] Protestant fundamentalists in Canada may have been more apt to protest against traditional national values.

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[29] Sandeen, "Toward a Historical Interpretation of the Origins of Fundamentalism," 68

[30] Elliott, "The Devil and William Aberhart," 334-35

[31] Elliott, "Antithetical Elements in William Aberhart's Theology and Political Ideology," 47

[32] Elliott and Miller, *Bible Bill*, 45, 24, 18, 104

[33] Lawrence, *Defenders of God*, 27, 170, 187; Michael Gavreau notes the absence of a powerful religious-political-cultural fundamentalist movement in Canada compared to the U.S. in "Baconism, Darwinism, Fundamentalism: A Transatlantic Crisis of Faith," *Journal of Religious History* 13:4(1985), 435.

[34] George Rawlyk, for instance, has demonstrated regional differences between fundamentalists within Canada by tracing the negative reaction of Maritime fundamentalists to the metropolitan control of Toronto fundamentalists ("Fundamentalism, Modernism and the Maritime Baptists in the 1920s and 1930s," *Acadiensis* 17:1[Autumn 1987], 3-33). Also see Rawlyk, *Champions of Truth*.

As Elliott argues, when Aberhart said that there was hope in social credit he went against the dispensational scheme of historical change by suggesting that man could be a significant agent of change. Furthermore, when he argued that man was responsible for establishing a socioeconomic system in which he would be free to seek after Christ, he extended the dispensationalist conception that man's responsibility was to disseminate the message of salvation to include greater social responsibilities.[35] According to one critic of dispensationalism, when the dispensational scheme was applied to the ethical content of the bible, certain teachings, most notably those found in the ministry of Jesus, were considered inappropriate to the current dispensation.[36] Hence, dispensationalism was at variance with the social gospel's major emphasis on the relevance of the teachings of Christ.[37] Fundamentalism and dispensationalism's most basic opposition to the social gospel, however, arose from a differing conception of salvation and a belief that the social gospel movement, itself, was part of the modernist urge.[38] Fundamentalists and dispensationalists believed that salvation could only be through the gift of God's grace given in response to faith.[39] Social gospellers emphasized good works.

The fundamentalist challenge to modernism was probably at its most potent during the depression, when the supposed benefits of modernism were not forthcoming. As discussed in the last chapter, the depression reinforced Aberhart's belief that he had interpreted the prophetic texts correctly, heightened his anticipation of the apocalypse, and encouraged him to gather together the members of the pure church, the organizational means to counter the forces of modernism. When Aberhart read Colbourne and Douglas, he discovered the link between the Antichrist, the conspiracy, and the depression, and their negative impact on salvation. He identified Social Credit with Christianity and its opponents with the Antichrist. The depression also discredited the free enterprise alternative with its exaggerated individualism and encouraged Aberhart to adopt unorthodox economic theories that appeared to be authenticated by biblical passages. The earliest Aberhart social credit broadcasts that have survived from this period teemed with religious references. For Aberhart, such references justified his excursions into public affairs and his calls for social action.

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[35] Sandeen, *Roots of Fundamentalism*, 185

[36] Kraus, *Dispensationalism in America*, 41

[37] William McGuire King, "The Biblical Base of the Social Gospel," in Ernest R. Sandeen, ed., *The Bible and Social Reform* (Philadelphia: Fortress Press, 1982), 59-78

[38] Airhart, "'What Must I Do To Be Saved?'," 372-85

[39] Ryrie, *Dispensationalism Today*, 110-13

As more followers were attracted to Aberhart, however, he faced increasing accusations that he insisted his followers practise his particular brand of Christianity. Given his earlier rejection of various "apostate" faiths, such criticisms were not surprising. As well, many of his new followers were not fundamentalists. Aberhart did not want to destroy his own movement, so, in response, he insisted that the moral tenets of Christianity could not be separated from politics, and he denied the accusations of religious exclusivity.[40] Thus, in reaction to criticism -- and in recognition of Douglas's position on the requirements for a peaceful transition to social credit -- Aberhart began to adopt more of an ecumenical position and to emphasize the unity of the people deemed necessary to achieve social credit's reforms. In time, still more people with different religious beliefs joined his movement, some of them attracted by, and in turn reinforcing, the emerging social gospel tone of Aberhart's message. As the *Chronicle* put it, "When you aim for the 100 percent social Creditor, remember you are practically pledging yourself to the second greatest commandment in life 'LOVE THY NEIGHBOUR AS THY SELF'."[41]

In spite of his new social gospel slant, Aberhart's belief in salvation through faith did not change and his dispensationalist beliefs continued largely to determine his political activities. For Aberhart, social credit, itself, was not enough without the free gift of salvation, without New Birth by the Holy Spirit: "It is the transformation of the individual's life and attitude of mind from this personal relationship with the living Christ, that I am convinced is essential to the proper application of economics in order that the desired results may be realized."[42] Salvation was still required for the Douglas system to work. Ironically, then, dispensationalist considerations lay at the heart of Aberhart's rejection of capitalism and his social gospel tendencies and gave rise to his determination to restore the conditions in which man would be free to seek salvation.

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[40] *ASCC,* 7 Sept. 1934, 5 Oct. 1934

[41] Ibid., 14 Dec. 1934

Within the welter of competing and sometimes conflicting positions found in Alberta Social Credit's official ideology, the party carved out specific policy positions that appealed to four major, sometimes intersecting, groups in Alberta society: consumers, small commodity producers, labourers, and women. The policies promised to make the system work for each group, restoring self-worth, while building the Alberta economy and punishing the wrong-doers.

Social Credit's surface appeal to consumers was obvious because of the dividend, but that appeal actually ran much deeper. Although Alberta was a province in which small commodity *producers* predominated, it was a *consumer* of finished products largely manufactured outside the province. During the depression, consumer needs and choices often dominated the lives of Albertans. The consumer orientation of Aberhart's explanation of price spreads and the just price provided Alberta Social Credit with an unexpected radicalism. By eliminating exorbitant profits while allowing a fair commission on turnover, Aberhart promised that most prices would decrease. After all, he explained, it was the consumers who gave their value to products. Social Credit was simply going to prevent "the few from exploiting the Social Credit of the masses."[43]

Alvin Finkel explains Social Credit's appeal to the working class in terms of organized labour's ties to the failed UFA government; the failure of the Labour Party to welcome mass participation, to sympathize with the plight of the unemployed, or to participate in extra-union, extra-Parliamentary demonstrations involving the rank-and-file; and Social Credit's openness to direct mass participation.[44] Finkel further argues that Social Credit's emphasis on production equating consumption matched labour's emphasis on "production for use over capitalism with its emphasis on production for profit."[45] The radical economic measures Aberhart derived from Douglas were perhaps more important in initially attracting working class support. His attacks on the plutocracy evoked an overwhelming response from the Alberta public, encouraging Aberhart to slam the plutocracy even harder. In the process, at times he and other party leaders almost ignored the role of finance. Through the latter half of 1934 and the early months of 1935, Social Credit's primary target was capitalism. Editorially, the *Chronicle* lambasted the "[p]iratical crews of the great capitalistic fleet" and claimed that Social Credit was the greatest opposition the capitalist system had ever encountered.[46] Aberhart was aware of his working class support and carefully tailored his speeches to working class audiences, emphasizing price spreads and the unfair profits of capitalists.[47] In Aberhart's analysis, the worker was not at fault for the economy's problems and should not be penalized for advances in machine production.

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[42] Smith papers, M1157, box 4, file 30, Aberhart to Mr. J.H. Caldwell, Kathryn, Alberta, 15 Oct. 1932

[43] *ASCC*, 8 Feb. 1935

[44] Finkel, "Populism and the Proletariat," 129

As noted, Aberhart social credit's appeal for small commodity producers was strongly argued by Macpherson. The UFA, which had traditionally enjoyed support from farmers and small town businessmen, was vulnerable. The government had become increasingly conservative and unresponsive to the demands of the farm organization's membership. It was tainted by the depression, a number of minor scandals, and the accusation that Brownlee had had an affair with the daughter of the mayor of Edson. The latter led to a seduction suit that returned a still-disputed guilty verdict against Brownlee in July 1934. He was replaced as premier by R.G. Reid.[48] The UFA leaders who supported the move to the CCF were not representative of the government and did not carry the membership with them. In many respects, Alberta Social Credit appeared to be the truer heir to the earlier, more vibrant, and inspiring UFA tradition. Like the earlier UFA, it believed the destruction of the competitive social order would be achieved by the victory of the democratic masses over the authoritarian plutocracy and it hoped to replace the exploitation of man by man or class by class with an ideal, harmonious, moral and co-operative society.[49] As late as the beginning of 1935, Social Credit had no clearly articulated democratic theory, though it appeared sympathetic to the UFA non-partisan tradition.

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[45] Alvin Finkel, "The Rise and Fall of the Labour Party in Alberta"

[46] *ASCC*, 12 April 1935, 22 Feb. 1935

[47] For instance, see Aberhart's speech to the Burns Plant employees, Ross papers, 71.420, file 25, "Broadcast by William Aberhart, B.A. over CFCN Tuesday, May 7th, 1935"

[48] Elliott and Miller, *Bible Bill*, 128; Finkel, *Social Credit Phenomenon*, 20; Myron Johnson, "The Failure of the C.C.F. in Alberta: An Accident of History?" (M.A. thesis, University of Alberta, 1974)

Disenchanted UFA members, many of whom believed that monetary reform was essential, and farmers, more generally, were ready to listen to Aberhart's message. He was particularly supportive of agriculture, "the basic industry of Alberta." Governments, according to Aberhart, had been too sympathetic to manufacturers while ignoring farmers' problems with rising production costs and debt. "There are scores if not hundreds of farmers in this Province today who, after 25 to 30 years of hard work have nothing to show for all their efforts, except a farm mortgaged so heavily that they have lost hope of ever being able to call it their own, and were it not for the debt adjustment act . . . they would be out on the road at the mercy of state charity." Social Credit would remove the primary producer's problems. Since the amount of the unearned increment levy would be based on the number of consumers giving value to the product and the extent of the annual turnover, logically, the levy would be greatest for primary products. During the depression, primary producers were forced to sell below the cost of production. Aberhart began to argue that the just price would raise prices above production costs to ensure a fair return on turnover. The farmer, who had food and shelter already, could employ the dividend to meet other expenses, such as existing indebtedness. Even input costs would be lower because the just price would reduce the price of farm machinery while the government would provide interest free loans for machinery and production costs.[50]

Aberhart social credit also promised to solve the farmers' marketing problems. Interest free production loans and the just price would mean that Alberta exports could be sold at an attractive price. The dividend would increase the demand for imported goods while ensuring that the province was not forced to export just to make up for a shortfall of purchasing power. Hence, Social credit would allow a region to gain control over its own export trade.[51] The value of exports would balance that of imports. In ten to fifteen years, Social Credit predicted that all Alberta farmers could be debt free.[52] The farmer would be guaranteed a fair commission on turnover,[53] though not the entire benefit when world prices were high. If the reverse applied, farmers would be paid above the world price because the government would impose a levy on all imports; the levy would reflect the value added to those products by the presence of Alberta's consumers.[54] The small independent farmer would not only survive but flourish.

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[49] Macpherson, *Democracy in Alberta*, 3, 40-3, 46-47.

[50] *ASCC*, 21 June 1935

Following the logic of Douglas's theories, the concept of an import levy emphasized the extent to which Aberhart thought the Alberta economy could be separated from the rest of Canada. Science and social credit could overcome the disadvantages of location, climate and resources, maximize production, and meet consumption needs. Virtually everything that Alberta needed could be produced in Alberta, while social credit would remove uncertainties from the market place.[55] As the province industrialized, import requirements would decrease. Virtual self-sufficiency was attainable. As unrealistic as some of its ideas were, Social Credit's fascination with science saved it from its pre-industrial, pastoral inclinations. Alberta could be almost an independent region where the principles of social credit applied rather than those of capitalism. There were even intimations that Alberta would have its own customs houses. Nevertheless, Aberhart and Alberta Social Credit were loyal to Canada and the Empire; the contradiction between the separatism implicit in Douglas's theories and the loyalty of Alberta Social Credit's leaders was not worked out until after the party was in power.

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[51] Ibid., 7 Sept. 1934, 9 Nov. 1934, 26 April 1935

[52] Ibid., 21 June 1935

[53] Ibid., 21 June 1935

[54] Ibid., 4 Jan. 1935

[55] Ibid., 23 Nov. 1934. Apex explained: "there are no loose ends in our system. Social Credit can explain all and every detail and question, an impregnable armor of solid facts" (Ibid., 5 Oct. 1934).

Aberhart social credit also had appeal for small businessmen. According to Aberhart, merchants had nothing to fear from the elimination of the profit system and the substitution of just prices and a commission on turnover. Free market place determination of prices was a myth anyway. The trusts, combines, and chain stores manipulated prices to their advantage and undersold small merchants to force them out of business. Social Credit would establish "equal opportunity." The just selling price would stop the large chain stores from undercutting the small store's prices. Even if the earnings derived from the commission on turnover were lower per transaction, the increased rate of turnover arising from the increased purchasing power of consumers would more than make up the difference. The dividend would also decrease the value of outstanding accounts the small merchant had to carry.[56] With the larger store's unfair tactics eliminated, the smaller stores would prosper. Alberta Social Credit faithfully followed Douglas's reasoning in suggesting that operating costs were higher in larger stores. Manipulation rather than size or efficiencies of scale explained the success of the big stores. The smaller store, in fact, was more efficient.[57] Under a social credit economy, Aberhart claimed that "competition would not be in price but in service, in the delicacy with which he [the merchant] exposes his goods to the public gaze[,] with the neatness and cleanness and sanitation of his store."[58] When it came to service, small businessmen would out-perform the larger stores. Aberhart claimed that even wholesalers would benefit from increased consumer purchasing power.[59] Moreover, Aberhart's import levy would ensure that "foreign" competition did not undercut the prices of Alberta businessmen. Aberhart presented his import policy in terms of benefits to producers rather than the increased costs consumers would face from unearned increment levies.

Women were used to being marginalized by traditional political parties, but Aberhart's proposals promised significant gains.[60] As a fundamentalist, Aberhart believed that woman was intended to be the helpmate of man who shall be the head of the household. Nevertheless he encouraged women's involvement at all levels of Social Credit. He justified the extension of woman's influence from her sphere within the home to a more active political role in the greater society based on her maternal instincts and domestic virtue. Women's participation in politics was legitimated by the failure of the patriarchal political system to protect the private sphere.[61] So long as the home was threatened, woman had the right and even the duty to go out into the world and struggle for justice. Aberhart insisted that women would receive the dividend and he rejected suggestions they would then have too much independence: "Economic security is the right of every citizen, male or female. Women were never intended to be slaves, but helpmates. There would, no doubt, be more wholesome marriages consummated [once women had the dividend]. They would not need to marry for a meal ticket."[62] Home life would also be revolutionized by the prosperity the dividend would introduce. Affordable labour saving machines would decrease the number of maids required and increase leisure for women. The home, the *Chronicle* boasted, will "never again be the prison it has been to many women in the past."[63] Aberhart Social Credit cultivated women's support, and a number of women became prominent leaders. Miss Eva Reid was secretary of the Central Council and the *Chronicle*'s circulation manager. Mrs. F. G. Grevett was the vice-president of the Central Council. Edith Gostick helped organize the south, and Edith Rogers, the centre and north, of the province, while Cornelia Wood was a hard-working organizer in the Edmonton region.

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[56] Ibid., 11 Jan 1935

[57] Ibid., 22 Feb. 1935, 3 May 1935

[58] Ibid., 11 Jan. 1935, 31 May 1935

[59] Ibid., 18 Jan. 1935; Aberhart, *Social Credit Manual*, 49

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[60] On women in politics see Jean Cochrane, *Women in Canadian Politics* (Toronto: Fitzhenry & Whiteside Ltd., 1979); Sylvia B. Bashevkin, *Toeing the Lines: Women and Party Politics in English Canada* (Toronto: University of Toronto Press, 1985); Janine Brodie, *Women and Politics in Canada* (Toronto: McGraw-Hill Ryerson Ltd., 1985); Linda Kealey and Joan Sangster, eds., *Beyond the Vote: Canadian Women and Politics* (Toronto: University of Toronto Press, 1989). Little has been written about women in right of centre parties. For works dealing with women in left of centre parties see Dean Beeby, "Women in the Ontario C.C.F., 1940-1950," *Ontario History* 74:4(1982), 258-83; John Manley, "Women and the Left in the 1930s: The Case of the Toronto C.C. F. Women's Joint Committee," *Atlantis* 5:2(1980), 100-19; Joan Sangster, *Dreams of Equality: Women on the Canadian Left, 1920-1950* (Toronto: McClelland and Stewart Inc., 1989). Veronica Strong-Boag pays more attention to women in Social Credit (*The New Day Recalled: The Lives of Girls and Women in English Canada, 1919-1939* [Markham, Ontario: Penguin Books Canada Ltd., 1988]. My thanks to Alvin Finkel for providing me with an advance copy of his comparative study of women in the United Farmers of Alberta and Social Credit, "Populism and Gender: The UFA and Social Credit Experiences" (*Journal of Canadian Studies* 27:4[1992-93], 76-97). Also see Hesketh, "From Crusaders to Missionaries to Wives." Finkel focuses on grass roots activity among women and government legislation affecting women. While recognizing some limited equal rights activity among Social Credit's women members, he regards the establishment of the Alberta Social Credit Women's Auxiliary in 1938 as part of Social Credit's swing to the right. In comparison, my work focuses on ideology and Social Credit's women leaders. I argue that some of Social Credit's women leaders evinced strong equal rights sentiments long after the formation of the ASCWA and that the left to right transition within Social Credit can be better understood as part of Social Credit's complex and shifting understanding of Douglas social credit.

[61] PAA, Social Credit Women's Auxiliaries' papers, "Report of the Third Annual Provincial Convention of the Women's Social Credit Auxiliaries to the Alberta Social Credit League held at Edmonton," 26 Nov. 1940, 79.87, file 8

To summarize, Aberhart offered Albertans a message of hope and a possible avenue out of the poverty and despair of the depression. Social credit provided one way for traditional agrarian theory in Alberta to accommodate to a modern industrial economy. The promises of the garden and of individual enterprise could both be fulfilled, while the pursuit of profit was moderated through co-operativism and re-activated Christian morality. In the process, Alberta would return to the forefront of progress. Labour, the small capitalist, and women would all have valuable roles to play in the modern social credit society.

Though, publicly, Social Credit did not regularly indulge in prolonged fantasies about its utopian vision of the future, occasionally the *Chronicle* could not resist etching in the contours of the coming paradise. In a social credit state, poverty and war would not exist and crime would rapidly decrease. Land speculation would cease. At the same time, debt charges would be paid off so that the cost of living would decrease. Even politics would change, attracting "constructive administrators rather than the loud voice[d] demagogue that indicateth the vacant mind." In the future, the "healthy and cultural use of leisure . . . will be the great task to which the state will devote the greater part of its energies, without any needless imposition upon personal freedom." There would be a healthy balance of physical and mental work and a rebirth of arts and crafts. "[W]ithin a generation the whole plan of life will be to develop the latent aptitudes in every man, woman and child, to their highest pitch." Education would encourage an interest in music, art, literature, and science, transforming the relations between people and inspiring the "race genius to heights hitherto unconceived." Virtually everybody would achieve high school matriculation. Marriage would no longer be governed by economic conditions and marital unhappiness would disappear because women would have their own dividends and those of their children to see to family wants. In the more distant future, the stimulation to the productive system provided by social credit economics would lead to still larger national dividends and still further increases in productive capacity, while interest rates dropped.[64]

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[62] Aberhart, *Social Credit Manual*, 51

[63] *ASCC*, 18 Jan. 1935

Social Credit even suggested that Alberta could avoid the declension to a corrupt industrial urban society. In such thinking, Social Credit combined faith in the vigour of frontier society with a rudimentary belief in the plasticity of society and the potential of science. Social Credit had learned the necessary lessons from outmoded capitalism and would retain the best of that system while progressing to the next level. It would preserve the small producer by imbedding decentralizing measures as society developed. The unfortunate trend to urbanization would be halted. Thus, the author of one article in the *Chronicle* claimed:

> The inordinate growth of cities is largely due to this [money] monopoly, and the chronic shortage of purchasing power contingent upon it. People congregate together in this way to be near employment, and factories are obliged to be handy to their market, but these motives would be largely modified in a social credit state. Magnificent roads and cheap motor transportation facilities will enable people to live far out of the cities and large towns and yet have ready access to them.
>
> Further money will be freely available for giving country towns many of the attractions which now lure people to the cities -- gas, electricity, water, reticulation schemes, sewerage, technical colleges, art schools, conservatories of music, parks, baths, libraries, etc., will be regular features of most country

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[64] Ibid., 7 Dec. 1934

towns after a few years of a social credit state.[65]

Under social credit, the promise of the future was almost without limit. Albertans could have both radical change and reassuring stability.

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The UFA government was slow to respond to the growing popularity of Aberhart's movement. In 1933, the UFA was moving to support the newly formed Co-operative Commonwealth Federation (CCF), but many prominent UFA spokesmen were longtime advocates of monetary reform. After reading Aberhart's Yellow Pamphlet, Norman Smith, the editor of the *United Farmer*, began studying the source for most of the pamphlet's ideas, Douglas's scheme for Scotland. In May, he wrote Bill Irvine, then a UFA member of parliament for Wetaskiwin and one of Canada's recognized experts on social credit, and suggested that, in spite of Douglas's professed opposition to socialism, the control of industry and prices advocated in the scheme constituted a form of socialization.[66] In response, Irvine admitted that he had not read Douglas's scheme for Scotland but suggested that the only parts of Aberhart's Yellow Pamphlet that resembled Douglas social credit were the A + B theory and one of Aberhart's bookkeeping examples. "All the rest," Irvine wrote, "are creations of the author & are not a part of the Douglas system as I once knew it. . . " Essentially agreeing with Smith, Irvine concluded, "it seems to me that most of what is in Aberhart's pamphlet is what we are preaching. Why not let him go to it?"[67]

Aberhart's popularity was also causing problems for members of the New Age Club, a Calgary-based social credit study group that attracted intellectuals and professionals. Many New Age leaders had worked on behalf of social credit for years before the upstart Aberhart suddenly began dominating the public's attention. They opposed his unorthodox interpretation of Douglas, mixing of religion with social credit, and control over the movement's finances and speakers.[68] Most of all, they resented the public support Aberhart enjoyed. Aberhart was dangerous because he did not understand Douglas social credit and yet his perverted interpretation was the one the newspapers, business community, bankers, and general public increasingly considered official.

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[65] Ibid., 7 Dec. 1934

[66] Smith papers, M1157, box 2, file 22, Smith to William Irvine, 16 May 1933

[67] Ibid., box 2, file 22, Irvine to Smith, 1 June 1933

The New Age leaders communicated their unhappiness to Douglas. Following a meeting of concerned Calgary social crediters, J. Larkham Collins, a prominent Calgary chartered accountant, wrote Douglas in July 1933, enclosing a copy of the Yellow Pamphlet.[69] Aberhart's understanding of the Scottish scheme as explained in the pamphlet contradicted the explanations Collins had given in several public addresses over the previous winter. Collins wanted Douglas to arbitrate their differences.

Douglas's answers helped Collins, for it appeared Aberhart had erred. He had wrongly suggested that bank deposits and the face value of life insurance policies should be surrendered to offset the provincial debt, that dividends had to be spent on necessities, and that surplus credit had to be expended by the end of the year. In spite of Collins's description of Alberta's weak constitutional position, however, Douglas replied that it was technically possible to implement social credit in Alberta. Given the power of Finance, Douglas feared any attempt anywhere in the world would be fought. "But this fight will have to take place anyway, and I should say that Alberta will not be unfavourably situated in this event, as being Agricultural and to some extent, a self-supporting country." Interestingly, Douglas informed Collins that social credit was not incompatible with public ownership of the means of production and he regarded the scheme for Scotland as applicable with "[o]nly minor modifications" to Alberta.[70]

Collins took Douglas's answers as a vindication of his interpretation and made good use of them in his public criticisms of Aberhart. He also wrote Douglas again, urging him publicly to point out the errors in the Yellow Pamphlet as soon as possible, and further explaining why he believed social credit could not be implemented in Alberta under Canada's constitution.[71] To the latter, Douglas responded:

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[68] Irving, *Social Credit Movement*, 64-74; Elliott and Miller, *Bible Bill*, 131-32

[69] On Collins see Ibid., 122; GAI, Henry Elvins Spencer papers, M1165, box 2, file 19, Collins to Douglas, 18 July 1933

[70] Ibid., box 2, file 19, Douglas to Collins, 17 August 1933. The same questions were sent to C.V. Kerslake (Honorary Secretary, Douglas S.C. League of Canada), whose responses, though different in several cases than those of Douglas, can be found in Ibid., box 2, file 19, Kerslake to Collins, 1 Aug. 1933

> the inauguration of a Social Credit system anywhere is really neither a theoretical nor an economic problem, but in the last resort, is a military problem. The present financial monopoly has devoted at least 100 years, if not more, to obtaining control of the ultimate sanctions of civilisation, such as police and military forces, and so long as this control is maintained, the question as to whether it is legal to take certain steps for the breaking of the monopoly of credit is quite academic, since if it did happen to be legal, the law would unquestionably be altered to make it illegal. . . The real task of the Social Credit army is not, I need hardly say, to raise a new military army, but to detach the existing forces from the possibility of use in such a situation. It is not an insoluble problem but it is a very difficult one, and I should not like to give an off hand decision as to what extent a unit of the size of Alberta could act alone.[72]

Douglas's answer is important for understanding the subsequent strategies he recommended Alberta follow to free itself from Finance.

Among those to whom Collins passed Douglas's views was Norman Smith, who continued monitoring Aberhart's movement. In addition to Collins, Smith corresponded with J.H. Coldwell, a CCF supporter and frequent Aberhart correspondent in those days, who kept him informed about Aberhart's negative attitudes toward socialism. Still, while Smith and other UFA leaders fretted that Aberhart was establishing "patent rights" on Douglas social credit, in the short term they did little to counter his influence.[73]

Finally, in the late fall, under pressure from the public and his own backbenchers, UFA Premier Brownlee announced that his government would investigate the potential of social credit for Alberta. The investigation by the Agricultural Committee was to take place in the new year. Brownlee hoped to use the occasion to discredit Aberhart, whose movement was becoming quite powerful. In December, Brownlee learned that the Douglas Social Credit Secretariat in London had renounced Aberhart's Yellow Pamphlet. If Brownlee was hoping to spring that information on Aberhart during the Agricultural Committee hearings, he was disappointed. Collins released the information in a newspaper interview in February.[74] In response, Aberhart pointed out that Douglas had autographed a copy of the Yellow Pamphlet some time before, and he claimed this as approval, suggesting the only differences were minor ones of detail. As a result of the controversy, however, Aberhart stepped down from the official leadership of Douglas Social Credit in Alberta.

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[71] Ibid., box 2, file 19, Collins to Douglas, 2 Sept. 1933

[72] Ibid., box 2, file 19, Douglas to Collins, 11 Oct. 1933

[73] Smith papers, M1157, box 2, file 22, Smith to Irvine, 22 Aug. 1933

In these awkward circumstances, Aberhart appeared before the Agricultural Committee. At the time, he did not even know for sure whether Douglas, who was returning from a speaking tour in Australia, would arrive in time to appear before the committee. Aberhart tried using the occasion to mend relations with Douglas. He paid homage to Douglas's "genius mind." He defined real credit, financial credit, social credit, and the just price more in Douglas's terms, and his explanation of the A + B theorem included Douglas's more sophisticated time lag variation. At the same time, however, he did not clearly explain that the dividend would be funded through the creation of new credit and many of his responses seemed confused.[75]

Douglas arrived in time for the hearings, but his appearance was inauspicious. He once more insisted that Alberta was as good a place to start social credit as anywhere and he repeated the advice he had given Collins about the steps Alberta should take to gain control over credit creation. He acknowledged that the London Secretariat had rejected the Yellow Pamphlet while he was on tour but disclaimed personal knowledge of its contents.[76] Supporters were disappointed that they learned nothing from Douglas they did not already know from Aberhart's teaching,"[77] and the UFA was disappointed that it could not force Douglas into discrediting Aberhart. Douglas's view of Aberhart had been influenced for the worse by his contacts in Calgary, and their meeting was marked by discord.

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[74] Elliott and Miller, *Bible Bill*, 128-30

[75] *The Douglas System of Social Credit, Evidence taken by the Agricultural Committee of the Alberta Legislature*

[76] Ibid., 103, 123-26, 106

In spite of the temporary benefit Douglas social credit supporters derived from Douglas's appearance before the Agricultural Committee and his spat with Aberhart, the battle for control of the Alberta movement's official ideology was largely over by the spring of 1934. Neither Collins nor the New Age Club could compete with Aberhart's public popularity. Even Douglas may have worried that, if he attacked Aberhart, he risked alienating the largest, most successful social credit movement in the world.[78] Before the spring was out, Aberhart was back in charge of the movement, now renamed the Alberta Social Credit League.

Nevertheless, following the committee inquiry, Aberhart gradually amended his interpretation of social credit. As the last chapter pointed out, in response to criticisms from Douglas and the business community, he backed away from his Yellow Pamphlet positions on the surrender of bank deposits and insurance policies to help pay the provincial debt. There would be no confiscation, Aberhart promised, and all bond sales would be voluntary. Accepting another Douglas criticism, he amended the requirement that the dividend be spent on necessities. He continued to insist, though, that credit had to be expended by the end of the year to maintain the flow of credit. These few amendments were but the first of many Aberhart would make in an effort to come to terms with Douglas as the likelihood increased that Alberta Social Credit would engage in direct political action.

In the summer of 1934, the *Chronicle* hinted strongly that the people might finally have to choose between the "old-time, outworn political parties" and Social Credit. Soon after, it carried articles asking Aberhart to run.[79] That fall, Aberhart urged voters to use Alberta's preferential ballot system to vote #1 for Social Credit and #2 for the party of their choice. According to Aberhart, Social Credit was not a political party and its philosophy "should not become a plank in a party platform. It must not become a political issue, and the old parties will be wise in leaving it out of their platforms."[80] In December, he suggested he would ask "reliable, honorable, bribe-proof business men who have definitely laid aside their party politic affiliation ... to represent Social Credit in every constituency."[81] By then, Alberta Social Credit had begun establishing formal constituency organizations in preparation for the next provincial election.

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[77] Irving, *Social Credit Movement in Alberta*, 91

[78] According to Spencer, Kerslake thought Douglas was "afraid of alienating the Aberhart crowd" (Smith papers, M1157, box 3, file 24, Henry Spencer to Smith, 25 May 1934).

[79] *ASCC*, 27 July 1934, 10 Aug. 1934

The possibility still remained that the UFA would endorse social credit at its January 1935 convention.[82] By the fall of 1934, Irvine was fully aware of the threat Aberhart posed to the UFA and CCF. Following a UFA meeting in UFA M.P. Robert Gardiner's riding, where "75% of the people are for Social Credit," Irvine wrote Smith that Aberhart had "robbed the nest. In my opinion there is only one hope & that is to accept the Douglas proposals officially. Then get on the air every day that Aberhart is on the air, and follow him & answer his argument & show him up as the faker he is."[83] The UFA, itself, settled on a dual strategy of somehow forcing Douglas to disclaim Aberhart's interpretation of social credit and, as Irvine suggested, confronting Aberhart more directly.[84] In preparation, Irvine requested up to date information on social credit from Smith so that he could brush up on the subject. Other UFA leaders, however, remained unconvinced about what needed to be done. UFA vice president Norman F. Priestly agreed with the strategy of forcing Douglas's hand but he still thought that Aberhart's shallow thinking could be tolerated given his success in making a shallow-minded populace think about serious questions. For the good of society,

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[80] Ibid., 12 Oct. 1934

[81] Ibid., 7 Dec. 1934

[82] Irving suggests Aberhart's movement entered a semi-political phase as early as the spring of 1934 (*Social Credit Movement*, 86).

[83] Smith papers, M1157, box 2, file 22, Irvine to Smith, 31 Oct. 1934

[84] Ibid., box 2, file 22, Smith to Irvine, 9 Nov. 1934; Ibid., box 1, file 9, N.F. Priestly, V. P. UFA to George Johnson, M.L.A., copy to Smith, 8 Jan. 35

Priestly hoped that the UFA would be able to capitalize on Aberhart's work.[85] When the UFA convention faced the momentous question of whether it would endorse social credit in January 1935, delegates listened to Aberhart and his opponents within the UFA, notably Irvine, then defeated the social credit plank. The *Chronicle* reported: "It will be known as the convention where the U.F.A. machine committed suicide."[86]

The contradiction when Aberhart sought co-operation with other parties yet urged the public to vote #1 for Social Credit was more than just political opportunism. Certainly the denial of party political ambition allowed Aberhart's movement to gain maximum advantage from the pretence of non-partisanship while advancing its own organization. Aberhart's claims to non-partisanship were also in line with Douglas's belief that only a united people could defeat Finance. Aberhart's religious views, however, were more directly responsible for the strategy. His conception of political parties as part of an external conspiracy tied to the Antichrist did not mean that he thought the individual men and women involved in Alberta's political parties consciously aided the conspiracy. Norman B. James, who was elected as a Socred MLA in 1935, recalls Social Credit's naive anticipation in those days that, "once the people realized the insanity of our financial and economic system and where it was leading us, the rest would be plain sailing. . . We figured that the Party-In-Office . . . would understand that the people who elected them wanted a change and that they would immediately bring it about."[87] James, himself, was a lay preacher and later a frequent participant in Aberhart's religious broadcasts. In seeking co-operation with the UFA, Aberhart probably hoped it would see the errors of its ways. The supporters of the UFA could repent and be saved. When Aberhart accepted that they had rejected that opportunity, Social Credit's political future was decided. As in his religious practice, Aberhart's determination to have his unique interpretation of basic creeds accepted had led to the creation of an independent institutional framework.

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[85] Ibid., box 1, file 9, N.F. Priestly, V P UFA to George Johnson, M.L.A., copy to Smith, 8 Jan 35. For an example of Smith expressing the same hope months later, see Ibid., box 1, file 11 Smith to A.P. Waldron, Man. Ed. The Western Producer, 5 July 1937

[86] *ASCC* 25 Jan. 1935

[87] James, *Autobiography of a Nobody*, 163

The UFA was not ready to give up the fight. It still hoped to use Douglas to expose Aberhart and, at Irvine's suggestion and with the convention's approval, on 22 February hired Douglas as an economic advisor to submit a draft plan reviewing the possibility of instituting social credit in Alberta.[88] Then, it invited Aberhart to submit his own social credit plan for Alberta. UFA and CCF leaders still believed they would outsmart Aberhart, though they could hardly believe what was happening in Alberta. They never seem to have understood Alberta Social Credit. Their early indecision, based on the belief that Aberhart was fighting the same battles, provided his movement with several months in which to grow without determined opposition from agrarian and labour critics. Their low opinion of Aberhart and his religious beliefs and of his followers and their intelligence contributed to an ongoing underestimation of the threat Social Credit posed.[89] They thought Aberhart would ultimately fail. He was too fond of power and too anxious to force his religion on others. Smith perhaps accurately suggested that Aberhart's religious zeal was "not entirely the unconscious tool of his ambition."[90] When Social Credit prospered in spite of their efforts, Smith attributed its success to Aberhart's demagogic skill and use of mass psychology in eliciting fanatical support from his followers.[91] The UFA's failure to come to terms with Social Credit was part self-delusion, part wishful thinking. Yet, other than in the first few months, it probably could not have stopped Aberhart. By the time it rejected social credit in January of 1935, Social Credit had more than 20,000 members in hundreds of groups throughout the province. Two months later, its constituency organization was complete. It was ready to take on Finance and win.

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[88] Smith papers, M1157, box 2, file 21, Smith to C.V. Kerslake, Honorary Secr, Douglas S.C. League of Canada, 15 April 1935

[89] See Ibid., box 1, file 9-11.

[90] Ibid., box 1, file 10, Smith to W.M. Davidson, Uplands, Victoria, 5 May 1936

[91] Ibid., box 2, file 21, Smith to C.V. Kerslake, Honorary Secr., Douglas S.C. League of Can," 15 April 1935. John Irving came to the same conclusion.

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Alberta Social Credit's decision to seek political power forced it to a consideration of political theory. Douglas's political theory was rudimentary and could serve as little more than a rough guide. To recapitulate, Douglas's ultimate goal was a bondholder state in which the free individual would be able democratically to lend his influence to achieve a desired policy by voting for the results he wanted in the order he wanted them. The policy the state would follow would be based on majority decision. The job of the elected representatives was to see that the people's will was obeyed. Neither the public nor their representatives would have any say in the methods chosen to achieve the desired results. Experts hired by the state would have the exclusive right to determine methods. If the experts failed, the government would replace them. Similarly, the people could replace the government if it failed. As mentioned previously, Douglas had not yet explained how this system could work without a technocratic dictatorship developing.

To engineer the transition to a social credit society, Douglas believed that it was necessary to have the backing of a united people and, ultimately, control over the use of military and police forces. Since Douglas believed political parties were controlled by the conspiracy, he generally counselled against direct political participation and looked, instead, to a door-to-door canvas to unite the people to demand results. Perhaps recognizing the potential revealed by Aberhart's movement, in January 1934, he admitted that if other parties were hostile, it might be necessary to run independent candidates.[92] Nevertheless, Douglas continued to oppose the concept of a Social Credit party in England.[93] He preferred the door-to-door approach but thought it more likely that change would come when the outmoded capitalist system collapsed, either during one of its cyclical crises or as a result of a trade war that turned into a military conflict.

Just as Aberhart's involvement in Social Credit led him toward a social gospel approach in religious terms, it led him toward tolerance for other political beliefs in secular terms. As suggested, Aberhart's unorthodox interpretation of social credit, with its all-out attack on capitalism and promise of a powerful state that would redistribute the means of production, attracted many followers who were sympathetic to socialism. In spite of the dilemma Aberhart faced in opposing socialism on religious grounds, he understood that the key to a peaceful transition to social credit was unity of the people[94] and that such unity could only be achieved if the socialists inside Social Credit's ranks stayed. Aberhart never stopped criticizing socialism, but he did not want to be the instrument that would divide his movement. He controlled the official ideology of the movement and he could evangelize in the hopes that others would see the light.

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[92] Elliott and Miller, *Bible Bill*, 138

[93] C.H. Douglas, *The Approach to Reality: Address to Social Crediters at Westminster on March 7, 1936* (London: K.R.P. Publications Ltd., 1936)

Aberhart's recognition of the need for unity focussed his attention on Douglas's political theory. He disagreed with some of the limitations Douglas placed on the role of the people and their representatives. For Aberhart, the choice of methods involved ethical questions in which Christian values must play a role. To renounce a role in the selection of methods would be to renounce his Christian beliefs. He had to be his own expert if he was to obey the dictates of his conscience. Furthermore, in Douglas social credit, discussion of the detail of policy was not to trouble the people since it would tend to factionalize them. In contrast and in keeping with his religious beliefs, Aberhart maintained that basic doctrines must be available to all in the plain language ordinary people could understand. An understanding of the fundamental creeds was basic to faith. Unlike Douglas, Aberhart therefore tried to provide the details the people would need to believe in the system. A commonly held faith based on a shared understanding of basic creeds was the primary requirement for the unity of the people that would lead to success for Social Credit.

Aberhart understood that the Antichrist-controlled conspiracy was the primary threat to the unity of the people. At one level, the opponents of Social Credit conducted a public debate about the dangers of Aberhart social credit. At another level, Aberhart was convinced that Social Credit's opponents acted in concert under evil direction to smear and discredit the movement and himself. Such was the intent behind criticisms that Aberhart was trying to force his religion on the people and that Social Credit was socialistic, communistic, and fascist. Manning advised Socreders to be wary of the other parties: "[their] capitalist lieutenants will come around offering temporary relief and big promises of a bright future. Don't let discouragement place you again in the tentacles of the money barons."[95] The *Chronicle* admitted other parties loudly professed that they too favoured monetary reform, but warned "Don't be misled by the much salted morsels of Liberals, C.C.F. or other parties. Keep the fresh wholesome food of Social Credit stocked up in your larder and positively refuse any camouflaged capitalistic substitute."[96] Social Credit believed members of other parties were attempting to infiltrate and undermine it from within. The *Chronicle* repeatedly warned that the people must choose 100% Social Credit candidates or their movement would falter and ultimately fail.

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[94] Smith papers, M1157, box 7, file 82, "Address by William Aberhart over CFCN, Calgary, May 31st, 1935"

Following the UFA convention and Social Credit's decision to run in the next provincial election, business, newspapers, and the political parties re-doubled their efforts to discredit Social Credit. There were fresh attacks on Aberhart's mixing of religion with politics and new accusations that Social Credit was communistic and fascist. Social Credit was planning to hold southern and northern conventions in March and April of 1935, at which party delegates would vote on election procedures and an election platform. Party leaders were determined to defend their movement at those conventions. The pure church must survive.

When the southern and northern conventions met, the influence of the grass roots, Douglas, and the presumed attacks of the plutocracy all played a role in amending the message Alberta Social Credit was taking to the people of Alberta. The high level of grass roots participation in Social Credit contributed to a significant broadening out of Aberhart's original social credit message. Grass roots-induced changes were particularly visible in the party's official election platform, which was voted on at the separate southern and northern conventions of League members. Alvin Finkel argues that this broadening out was vigorously left leaning and reflected grass roots influence.[97] Strong grass roots participation in policy formation is undeniable, but, as was shown in the last chapter, most of the left wing economic measures advocated by Social Credit and attributed by Finkel to the grass roots actually originated in Douglas social credit. On balance then, the broadening out was not as leftist in tendency as Finkel suggests.

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[95] *ASCC*, 17, Aug. 1934

[96] Ibid., 3 Aug. 1934

Agrarian concerns were strongly represented in the party's election platform. Some traditional agrarian political theory that seemed in line with Douglas's general ideas had previously been accepted as early as 1934. Aberhart's insistence that Social Credit was not a political party probably owed both to Douglas's attacks on parties as tools of conspiracy and to traditional agrarian anti-party traditions. Douglas emphasized the importance of democratic determination of policy and Aberhart social credit supported the traditional regional solution of multi-member ridings as the most democratic method of proportionate representation. Through the depression years, farmers had unsuccessfully lobbied the UFA government about both debt adjustment and marketing boards.[98] Now, delegates to the southern convention called for amendments to Alberta's Debt Adjustment Act "to prevent foreclosures on all property and adequately to meet the requirements of all classes of debtors." To assist with the marketing of agricultural products, they insisted a Social Credit government should look for new markets, fight for lower freight rates, seek a revision of the system of grading farm products, upkeep market roads, and encourage the "feeding, breeding, and finishing of better livestock in Alberta." Social Credit was also to investigate further irrigation projects, establish policies for Drought Areas and for the eradication of noxious weeds, improve regulations for grazing and hay leases, ease regulations in the Homestead Laws for establishing homes, and assist Rural School Fairs and Boys' and Girls' Clubs. The convention also adopted recall as a mechanism for the people to maintain control over their representatives once they were elected.[99] Support for recall was important because it addressed the absence of safeguards from dictatorship in Douglas's political theory and because it was politically useful in countering charges that Social Credit was authoritarian. As Aberhart put it, "We are introducing the right of recall. So if we fail to do all we hope to do you can take us out. We will not be allowed to wait till the moon is full before we call an election."[100]

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[97] Finkel, *Social Credit Phenomenon*, 28-38

[98] Carl F. Betke, "The United Farmers of Alberta, 1921-1935: The Relationship Between the Agricultural Organization and the Government of Alberta," (M.A. thesis, University of Alberta, 1971)

There were other signs of broadening out. Although labour concerns were not strongly represented in the election platform, the convention did endorse planks calling for the "efficient inspection of all industries to see that all laws for the health, safety and payment of all labour and industry are safely guarded" and for amendments to the Compensation Act to provide just compensation for workers. Support for state medicine was probably general among the grass roots. Education was to be transformed so that it would train citizens for roles in the new social credit society that would soon emerge. Although women's concerns were not expressed in any special policy platforms, women continued to be an important focus of Social Credit's electioneering.

The apparently wide-ranging influence of the grass roots on Alberta Social Credit policy requires some qualification. Macpherson points out that the platform that went to the southern convention was actually prepared and submitted by the party's leaders.[101] Finkel, however, argues that in drafting the platform, the leaders were influenced by "the programs the rank-and-file had been calling for in local meetings -- and included such planks as socialized medicine, which had no currency in Social Credit thought or in Aberhart's political speeches."[102] Finkel may be right about grass roots influence in the original drafting of the platform. It should be noted, however, that grass roots resolutions often corresponded to leadership wishes. For instance, as will be discussed later, Aberhart and other leaders strongly backed state medicine. The party eventually developed a mechanism for "planting" leader-defined resolutions at conventions.[103] Actually, there was nothing in the platform passed by the southern convention that contradicted social credit, as Aberhart then understood it. Protecting individuals from debt and building Alberta industry were basic to freeing Albertans from Finance. Grass roots say in policy at the southern convention was limited in other ways.

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[99] The 10 planks passed at the southern convention can be found in "Appendix I," in Irving, *Social Credit Movement*, 349-51. *ASCC*, 12 April 1935

[100] Smith papers, M1157, box 7, file 83, "Broadcast by Wm. Aberhart over CFCN Calgary August 18, 1935"

[101] Macpherson, *Democracy in Alberta*, 147

[102] Finkel, *Social Credit Phenomenon*, 31

Social Credit leaders were convinced that further steps had to be taken to counter the conspiracy's efforts to undermine the movement. It must be remembered that, at this time, Alberta Social Credit was a loose coalition of groups with little but shared grievances and a belief in Aberhart and his promises holding it together. To pre-empt the possibility that infiltrators and opportunists might be selected to run in the provincial election, Aberhart took to the convention a proposal that constituencies nominate three or four acceptable candidates. An advisory committee selected by Aberhart would then interview the prospective candidates in each constituency, and, once the election was called, decide which candidate would run.[104] When delegates to the southern convention proposed an amendment that seven constituency delegates join with the committee in making the final decisions, Aberhart intervened in the debate: "If you are not going to let me have any say in the choice of my supporters, you will not have me as your leader."[105] The amendment was defeated and the original committee proposal passed. In the short term, the party gained the advantage of several candidates working each constituency in hopes of being chosen, but it would have to withstand charges that its leader was a dictator and its method of candidate selection, undemocratic.

Aberhart also intervened at the southern convention to stop delegates from voting further planks into Social Credit's election platform. As drafted by the leaders, the platform, for the most part, stated the measures the government *would* follow in instituting social credit and indicated the general policies the government *should* pursue to remedy other problems. When the southern convention tried to pass further motions about the pasteurization of milk, public works measures, relief, an investigation of the oil industry, and the formation of a provincial police force to replace the R.C.M.P., Aberhart objected, particularly to the last measure. "Don't try to tell your government everything they should do," he warned. "The minute you start to talk or interfere with the policing of the country you are out of order."[106] The convention backed Aberhart. As the *Chronicle* reported, "[i]t was the feeling of the convention that these matters were for the Provincial Government elected to take up."[107] Aberhart's objection to the policing issue was particularly interesting. Douglas believed that a social credit government would probably have to have the loyalty of the police force and armed forces to overcome the might of Finance and institute social credit. The motion for a provincial police force was most likely raised by loyal Douglasites. To counter this demand, Aberhart invoked Douglas's view that the public should refrain from directing what methods should be employed to attain the results they wanted because that would factionalize the movement. The southern convention also approved Aberhart's wish that he not seek election in any constituency. Later, the northern convention passed the same platform verbatim. Clearly, Aberhart, rather than the grass roots, was firmly in charge of Social Credit's official ideology.

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[103] Bob Hesketh, "The Abolition of Preferential Voting in Alberta," *Prairie Forum* 12:1(1987), 123-43

[104] It is possible that the mechanism of an advisory committee was borrowed from the Baptist tradition of an Examining Council of Convention interviewing candidates for ordination as ministers.

[105] Irving, *Social Credit Movement*, 130

v

Scholars have generally regarded Aberhart's democratic theory as taking on a strongly authoritarian tone from the time of the southern and northern conventions. From then to the election, they argue, Aberhart insisted more and more on Douglas's political theory. Even Social Credit candidates seldom spoke on matters of detail. According to Irving, Aberhart enjoyed absolute control and unquestioned loyalty from Social Credit's members.[108] Macpherson admits Social Credit was already autocratic in character before the election, but claims Douglas's political theory was not fully installed in Social Credit until after the 1937 backbenchers' revolt.[109] Finkel differs somewhat from this interpretation. He agrees that Aberhart short-circuited the strivings of the democratic grass roots when he seized control of the method for choosing candidates, and he suggests Aberhart then deliberately chose conservative candidates "whose appetite for reform, unlike that of the rank-and-file . . . did not extend beyond monetary changes."[110] Finkel, however, stresses the continuing democratic nature of Social Credit at the grass roots level and argues that the party's left wing activists slowed the transition to authoritarianism until 1937.

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[106] *ASCC*, 29 March 1935

[107] Ibid., 29 March 1935

[108] Irving, *Social Credit Movement*, 140-41

There is no doubt that Aberhart increasingly invoked Douglas's democratic theory in the pre-election period, but the reasons for his actions are more complex than scholars have allowed. He was not, as is often implied, an incipient dictator waiting for the opportunity to seize control. From the time of the conventions until the 22nd of August, Social Credit was preoccupied with what it believed were the machinations of the conspiracy. Through those weeks, it faced increasingly loud and desperate attacks from the Alberta business community, Canada's bankers, political opponents, and the province's major dailies. Social Credit's method of candidate selection sparked loud and prolonged accusations from opponents that the party was fascist and that Aberhart was a dictator.[111]

Social Credit responded to its opponents in various ways. The *Chronicle* warned its readers to watch for spies in Social Credit ranks.[112] It also cautioned that the Liberals were feigning support for social credit while individual UFA candidates were deceiving the public by signing pledges promising to support social credit if they were re-elected. To rebut charges that Aberhart was a dictator, the party emphasized Aberhart's selflessness and hard work for the movement. He was not even seeking election himself. He was not a dictator but a prophet trying to lead his people to a promised land.[113] Future MLA Gordon E. Taylor wrote a flowery portrayal for the *Chronicle* of an impoverished family looking to Aberhart as their last hope, then concluded: "In Wm. Aberhart we have a man whose heart is so tender that he weeps with the weak, the unfortunate and the poor, but whose will and courage is so strong that he dares to defy even money kings and financial lords."[114] Aberhart vigorously denied he was a dictator:

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[109] Macpherson, *Democracy in Alberta,* 151, 159; Irving, *Social Credit Movement,* 104, 182, 140

[110] Finkel, *Social Credit Phenomenon,* 32

[111] Aberhart strongly denied allegations of fascism. Smith papers, M1157, box 7, file 83, "Radio Broadcast over CFCN, Calgary and CJCA, Edmonton, Tuesday, July 23rd, 1935, under the Auspices of the Alberta Social Credit League by Mr. William Aberhart, B.A."

[112] *ASCC,* editorial, 26 April 1935

> Does the dictator refuse to run for an office that would give him authority? Does a dictator take issue with the financial barons of the world? Show me one dictator who makes the first plank in his platform that every bona fide citizen . . . must be given the bare necessities of food, clothing and shelter. Name me one dictator who makes it the outstanding feature of his plan the decentralization of power and the abolishing of poverty in the midst of plenty. I'm not seeking office. No sir, I am not. I have a work here in the Institute that is dearer to my heart than the Premiership of Alberta . . . I'm getting up in years. I'm not ambitious. The spirit of the Christ, the greatest man that ever lived has gripped my life . . .[115]

He counter-attacked with equal vigour. "The principles of the old line politicians and their henchmen are like those of the man who betrayed the Christ," he charged.[116] "Surely the old-line party newspapers and politicians who know how the conventions are manoeuvred and manipulated under party-politics have their nerve to suggest anything undemocratic about the Social Credit method. They know as well as they know their own name, that these conventions are generally fixed . . . [even] if they have to go out and pay men to vote for a certain candidate."[117] Social Credit's primary response to each and every opponent's attack, however, was to emphasize further the need for unity.

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[113] Ross papers, 71.420, file 25, "Address by Fred Anderson, Friday, May 24th, 1935, over CFCN, Calgary"

[114] *ASCC*, 2 Aug. 1935

[115] Ross papers, 71.420, file 25, "Radio Address by William Aberhart, B.A., From the Calgary Prophetic Bible Institute, Calgary, Alberta May 5th, 1935"

[116] Ibid., file 25, "Broadcast by William Aberhart over C.F.C.N. Calgary April 9th, 1935"

Unity was based on co-operation and a shared faith. Under social credit, Alberta's internal economy would switch to non-negotiable certificates and external obligations would be paid in real money earned through exports, but co-operation and faith were required to hold the entire system together. Ultimately, social credit, itself, depended on people's faith in themselves. Pointing out that Alberta's natural resources provided backing for non-negotiable certificates just encouraged co-operation and thereby enhanced that faith. The inherent danger in the use of the advisory committee was that the movement would factionalize when the successful candidates were announced. For that reason each prospective candidate was pledged to support the eventual selection and Aberhart re-emphasized the need for unity when the final candidates were chosen.

> If you break into camp[s] our opponents will be glad, will laugh outright; if you make the candidates more important than the social credit crusade you are hindering progress. If you refuse to vote 100% social credit merely because a certain candidate has not been chosen remember you have not actually the welfare of the people at heart but rather you have been anxious to exalt some individuals. I therefore beseech you to face this question bravely. We are going over the trenches now. If you falter, we will fail, and remember the enemy will take advantage of your faltering. Please do not let anyone fill your soul with their abominable pride which suggests to you that it cannot carry [on] without you, or some other one as a candidate.[118]

Faith and unity would determine whether Alberta could achieve social credit peacefully. As Aberhart put it in one broadcast: "Look, Manning if the common people stick together in this movement we will solve our problem without revolution and bloodshed."[119] Faith and unity were central to Social Credit's constitutional argument as well.

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[117] Ibid., file 25, "Broadcast by Wm. Aberhart, B.A. under the auspices of the Alberta Social Credit League, Tuesday, August 6th, 1935"

[118] Smith papers, M1157, box 7, file 83, "Radio Broadcast over CFCN, Calgary and CJCA, Edmonton, Tuesday, July 23rd, 1935, under the Auspices of the Alberta Social Credit League by Mr. William Aberhart, B.A."

[119] Ross papers, 71.420, file 25, "Broadcast by William Aberhart over CFCN, Calgary, and CJCA, Edmonton, Tuesday, June 18th, 1935"

There were several layers to Social Credit's constitutional argument as it was enunciated in 1934-35. First, Social Credit presented a legal argument that the proposed non-negotiable certificates would not require the use of any money and therefore would not infringe on federal jurisdiction or violate the Bank Act, or the Bills of Exchange Act, and were, in fact, legal under section of 138 of the Bank Act.[120] Second, it suggested the federal government would not act to disallow provincial legislation if the province acted circumspectly.[121] Third, it offered a nascent provincial rights argument that Alberta had the right to legislate within its jurisdiction when such legislation would not interfere with the welfare of any other province. As the *Chronicle* declared, social credit "STANDS SUPREME in the Provincial field"[122] Fourth, Social Credit proposed a moral argument drawn from Douglas that rested on the belief that the demands of a united people must be respected and must stand above the technicalities of any constitution. "[N]o government under the British flag," Aberhart declared, "would have the power to enforce starvation and economic slavery upon any body of people. There must be equity in legal jurisprudence as well as technical interpretation."[123] Fifth, backing up this moral position and in response to suggestions that social credit might be ruled unconstitutional, Aberhart issued a veiled threat: "How dare they? Do you think the people of this province, 400,000 strong are going to consent to have the will of the majority rendered inoperative by loosely jointed constitutional machinery, over-stepping its proper functioning through influences of a sordid nature brought to bear by the workings of the worshippers of the Golden god and their henchmen[?]"[124]

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[120] William Aberhart, *The B.N.A. Act and Social Credit* (Edmonton, The Social Credit League of Alberta, 1935)

[121] *ASCC*, 26 April 1935

[122] Ibid., 19 April 1935

[123] Ibid., 26 April 1935

[124] Ross papers, 71.420, file 25, "Broadcast by William Aberhart over CFCN, April 16, 1935." Also see Aberhart, *B.N.A. Act and Social Credit.*

The emphasis on unity combined with Aberhart's denials of charges he was mixing his particular religion with politics led directly to a further pronounced increase in Aberhart's social gospel tendencies in the last weeks of the election campaign. Aberhart vehemently denied charges that Social Credit was anti-Jew or anti-Catholic[125] and that he was trying to force others to believe in his religion. He stressed more often the New Testament, Christ's message of brotherly love, and the need for religion to be active in everyday life.[126] The old order was through. "The Christian Church must wake up or go to the bottom with it. Religion is gasping for breath. It will have to pull its roots to the present pagan order . . . [or perish]. A new Christianity, a new type, a true type, is appearing. The old prejudiced denominationalism is giving place to the era of Christian brotherhood."[127]

Aberhart's marked social gospel message quickly drew fire from other fundamentalists. When J.H. Kirk of the Three Hills Bible Institute distributed a circular that charged Aberhart had abandoned dispensationalism, Aberhart objected: "I have not changed my attitude to the dispensational truths one iota."[128] Following Kirk's intervention, however, Aberhart grounded the necessity of co-operation more firmly in biblical references.[129] He also relied more frequently on biblical sanctions to justify his activism:

> Mothers are suffering, not because God has failed to give but because the selfish greedy ungodly worshippers of the Golden god and their henchmen have stolen the bounties from them. God hasn't punished mankind. He has poured out from his rich storehouse of heaven upon mankind but these

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[125] *ASCC*, 3 May 1935

[126] Ibid., 12 April 1935

[127] Ross papers, 71.420, file 25, "Broadcast by William Aberhart, B.A. over CFCN Tuesday, May 7th, 1935." For one example of a social gospel message from Ernest Manning, see Smith papers, M1157, box 7, file 83, "Broadcast over CFCN by Wm. Aberhart and Others, Aug. 16, 1935."

[128] Ross papers, 71.420, file 25, "Broadcast over CFCN by William Aberhart, Sunday, April 21st, 1935." The Three Hills Bible Institute had criticized Aberhart's social gospel tendencies earlier as well (Elliott and Miller, *Bible Bill*, 118).

[129] Ross papers, 71.420, file 25, "Radio Address by William Aberhart, B.A., From the Calgary Prophetic Bible Institute, Calgary, Alberta May 5th, 1935"

> grafters, these men who have confiscated the power are depriving people from their very living, starving them to death. Children are crying for bread. This man says you shouldn't try to relieve them. You shouldn't try to stop them from doing it... It was the Lord Jesus himself who took the whip of cords and drove the money changers out of the temple, wasn't it? He didn't stand at the door and pray that God would put them out. He put them out.[130]

As well, Aberhart more carefully indicated the limitations he saw to man's efforts when unaided by God. As suggested earlier, Aberhart's understanding of personal salvation had not changed. Now he re-emphasized man's need for God's help if Social Credit was to win: "Now people, listen to me - the crisis is fast approaching. You are depending only on the work and organization of man, you are doomed to disappointment and dismay." Faith would be necessary for Social Credit to win. "Your strength is not in your leader or in your organization, but in the God of Heaven."[131]

Only with God's help could Social Credit achieve victory, but Aberhart still insisted that this did not excuse inaction when the end of times was so near. He still insisted on social action.

> We have a formidable foe which is determined to crush and hold in abject slavery the splendid citizens of the province of Alberta. I know that this conflict cannot be won by organization and individual effort alone. Many of us believe, and are trusting the Divine intervention on behalf of the suffering people. Their cries have gone up and have entered into the ears of the Lord God . . . He will hear and deliver if it is for the welfare of His people, and this does not exclude or make unnecessary the efforts of His people. You and I must throw off our coats and do everything possible for the accomplishment of that deliverance.[132]

His social gospel message was by now inseparable from the crusading spirit of Social Credit in its march toward victory on the 22nd of August. In the last days before the provincial election, Aberhart adopted the slogan: "I AM MY BROTHER'S KEEPER."[133]

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[130] Ibid., file 25, '"Broadcast over CFCN by William Aberhart, Sunday, April 21st, 1935"

[131] Ibid., file 25, "Extracts From Address by Wm. Aberhart, B.A., over CFCN, Calgary, Sunday Afternoon, July 21st, 1935"

[132] Ibid., file 25, "Broadcast by Wm. Aberhart, B.A. under the auspices of the Alberta Social Credit League, Tuesday, August 6th, 1935"

The broadening out of the party's official ideology at the southern and northern conventions to reflect a wide range of grass roots concerns did not figure strongly in Aberhart's subsequent election speeches. Aberhart's Blue Pamphlet, published in July 1935, did not even mention the new platform measures, although it contained a couple of new indications of the same broadening out trend. Social Credit had amended the just price formula in the last weeks before the election to include a provision for crop insurance for those farmers who took advantage of Social Credit's proposed producer credit, and Aberhart included that change in the Blue Pamphlet.[134] As well, he addressed two of the defeated planks called for at the southern convention, an indication of ongoing grass roots pressure for those measures. He promised that Social Credit's belief in decentralization would lead it to "remove the monopolists' control" in the oil and gas industries and that public works programs would be supported, but only if they were funded from bond investments of surplus credit made by Alberta citizens. He rejected large scale public works programs to create employment if they were paid for out of the government's current budget. Such programs could only increase the government's debt,[135] and debt was owed to Finance. But, generally, grass roots demands to broaden the election platform were of limited importance.

Relations between Aberhart and Douglas continued to be complicated by the UFA's actions. Aberhart turned down the UFA government's offer to draft a social credit plan for Alberta. By the early spring of 1935, Smith was worried that Aberhart might not only destroy the farmers' movement but also the cause of monetary reform,[136] yet he clung vainly to the hope that Social Credit was actually in decline through the late spring and early summer of 1935.[137] As late as June, there was still the hope that Douglas would undercut Aberhart.

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[133] *ASCC*, 16 Aug. 1935

[134] Ross papers, 71.420, file 25, "Radio Address by Ernest Manning Under the Auspices of the Alberta Social Credit League over CFCN, Calgary and CJCA, Edmonton, Tuesday July 30th, 1935"

[135] There is limited coverage of the south and north conventions in the *ASCC*, 12 April and 26 April 1935.

[136] Smith papers, M1157, box 2, file 21, Smith to W.L. Bardsley, Social Credit Secretariat, London," 6 Jan. 1935; Ibid., box 2, file 21, Smith to J.D. Bennett, Director of Overseas Relations, Social Credit Secretariat, London, 1 April 1935

Douglas stood to lose a great deal, however, if he denounced Aberhart, and, through the spring and summer of 1935, Aberhart played a fairly clever game with Douglas, alternating between ingratiating deference and determined independence. He still insisted that his explanations of social credit reflected the same basic principles -- the just price, dividends, and interest free production loans -- and that any differences were matters of minor detail. He offered to defer to Douglas if he was mistaken: "I have constantly said that my suggestions are my own considered opinion. I am ready to give a reason for my conclusion. I want no glory, however, and I am willing that Major Douglas should have his findings recognized as supreme for the present at whatever points they may differ from mine."[138] Aberhart still rejected much of Douglas's political theory. He recognized a role for experts but was unwilling to concede that he had made a mistake in elaborating the details of social credit to his audiences: "I am convinced that we could never have had the astounding results that we have had if we continually spoke in generalities and did not bring the subject matter down to the detail of every-day life."[139]

At times, Aberhart even taunted Douglas, who was in Alberta in the spring of 1935 as a result of his contract with the government. Referring to this contractual relationship, Aberhart suggested three hundred thousand Albertans would back Douglas if he stood true to the principles he had enunciated in his books. He "excused" Douglas's failure to meet with him because of all his meetings with the government, then wondered aloud if the government would allow Douglas to address a Social Credit rally.[140]

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[137] See the Smith papers, M1157, files 9-11.

[138] Ross papers, 71.420, file 25, "Radio Address by William Aberhart, over CFCN, Calgary, and CJCA, Edmonton, June 11, 1935"

[139] Ibid., file 25, "Radio Address by William Aberhart, over CFCN, Calgary, and CJCA, Edmonton, June 11, 1935"

[140] Ibid., file 25, "Address by William Aberhart, on Sunday, May 12th, 1935, over CFCN, Calgary;" Ibid., "Address by William Aberhart over CFCN, Calgary and CJCA,

The need for Douglas to be present to install social credit was questioned. Alberta Social Credit liked to claim that its education campaign had made Albertans the best educated citizens in the world when it came to understanding economics. Aberhart was confident Alberta had legal experts who could draft social credit legislation that would prove constitutional. When it came to experts to compose the actual social credit plan for Alberta, Aberhart once claimed, "Anyone can make the plan who wishes." The *Chronicle* bragged: "Of course we have clever scholars and experts in every line in our midst, and what is more we wont [*sic*] have to go outside the Province of Alberta to find them... WHERE ARE THE EXPERTS? The answer rings back -- RIGHT IN THE RANKS OF OUR HONEST SOCIAL CREDITORS."[141] In spite of Social Credit's deference to the expert, there was about it an appeal to the little man, the nobody, the rebel or misfit, who resented plans laid down by experts and bureaucracies and who held inside the conceit that in the little man lay the repository of real wisdom. Such was Norman B. James and he was far from being alone.[142] The idea that the ordinary workers, who had struggled hard to master social credit and even harder to build their movement, could, under Aberhart's guidance, be the very experts who would soon install the system had tremendous appeal.

When the government finally released Douglas's Interim Report in the summer of 1935, it did Aberhart little harm. His prestige within Alberta was by then too great for Douglas to derail him -- and such was not Douglas's intention. In any case, Douglas's Interim Report was disappointing. Instead of providing a detailed plan of how social credit could be implemented in Alberta, it reiterated the advice Douglas had given the Agricultural Committee about asserting Alberta's right to credit creation. Douglas's approach was confrontational and not at all what the UFA or Aberhart wanted. On the one hand, Aberhart treated the report as an endorsation of his position that social credit could be introduced in Alberta. On the other hand, he denied various criticisms Douglas had aimed his way.

Edmonton, Tuesday, May 21, 1935"

[141] *ASCC*, 12 April 1935; Ross papers, 71.420, file 25, "Extracts From Address of Wm. Aberhart over CFCN, Calgary April 12th, 1935"; *ASCC*, editorial 4 Aug. 1935

[142] James, *Autobiography of a Nobody*, 118

Douglas argued Aberhart's unearned increment levy constituted a form of taxation and suggested that Aberhart did not intend to create new purchasing power, that his just price contemplated a fixed price regardless of costs, and that he advocated a form of velocity of circulation theory in which purchasing power increased with rate of turnover. According to Aberhart, Douglas was wrong. "Now regarding this velocity of circulation theory," Aberhart declared, "may I state definitely that we do not believe nor do we teach that the purchasing power of any individual is increased by the rate of turnover." The velocity could, however, increase the work which a given amount of currency could do.[143] Actually, Douglas *was* wrong in doubting that Aberhart called for the creation of new purchasing power. Douglas's criticism was hardly surprising, however. Increasingly, Aberhart had identified price spreads as the source Alberta Social Credit would tap to increase purchasing power, largely because it evoked such an enormous public response. By 1935, he seldom referred to the independent creation of purchasing power.[144] Douglas was closer to the mark in criticizing Aberhart for his just price formula and understanding of the rate of flow.[145]

Douglas, no doubt, had been infuriated by Aberhart's suggestions that his expertise could be so easily replaced and, as election day drew nearer, Aberhart also seems to have realized he was making a mistake. In important respects, he moved closer to Douglas's understanding of social credit. He began attacking Finance again, which slightly de-emphasized Social Credit's anti-capitalism. He published the Blue Pamphlet to replace, once and for all, the Yellow Pamphlet. The pamphlet featured explanations of the lack of purchasing power and the cultural heritage that were closer to Douglas's usual definitions and the addition of a formula for computing a compensating price that, hopefully, overcame Douglas's objections to Aberhart's just price. The pamphlet also seemed to lay greater emphasis on Social Credit's belief in individual rights and in the need to decentralize power.

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[143] Ross papers, 71.420, file 25, "Radio Address by William Aberhart, over CFCN, Calgary, and CJCA, Edmonton, June 11, 1935"

[144] Aberhart, *Social Credit Manual*, 27, 41. Also see the *ASCC* from the summer of 1934 to August 1935.

[145] Aberhart, *Douglas System of Economics*, 8; *ASCC*, 23 Nov. 1934

Starting a few days before the election, Aberhart also expressed more forcefully the hope that Douglas would come to Alberta to help out, and he even offered to step aside to allow Douglas to introduce his system. He referred approvingly to Douglas's position on details, though he again emphasized his belief that the ordinary person must be exposed to social credit's basic doctrines.[146]

Although the Blue Pamphlet moved Aberhart closer to Douglas social credit, it still did not carry a clear cut statement that the dividend would start with the creation of new purchasing power or that additional purchasing power would be subsequently issued in keeping with potential productive power. In the last issue of the *Chronicle* before the election, Social Credit tried to overcome these remaining problems. In a lengthy article penned by G. L. King and addressed "To the Business Men of Alberta," Social Credit promised unequivocally that before any levy was withdrawn from business, the cycle of credit would be commenced by the injection of $10 million of new purchasing power created independently of the costing system and that there would be more dividend dollars entering the system than would be withdrawn in levies. It was possible to allow this "credit increment" because "finance is a constantly growing area with increasing capital investments and finance charges . . . [requiring] a constantly growing volume of credit." Subsequently, the credit increment would keep pace with the increment of wealth.[147] By the time of the election, then, except for Aberhart's amended but still complicated just price formula, little difference remained between Aberhart's and Douglas's monetary theories.

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[146] Aberhart, *Social Credit Manual*. The formula for computing the compensating price divided the Total Consumption by the Total Production and multiplied the result by the Just Price to arrive at the Market Price. Ross papers, 71.420, file 25, "Address by William Aberhart, B.A., over CFCN, Calgary, Friday, June 2, 1935;" Smith papers, M1157, box 7, file 83, "Broadcast from the Calgary Bible Institute, Sunday, August 11, by Wm. Aberhart, B.A.," 11 Aug. 1935

[147] See G.L. King's article "To the Business Men of Alberta'"in the Edmonton edition of the *ASCC*, 16 Aug. 1935.

Chapter Five

THE FIRST EIGHTEEN MONTHS IN OFFICE: ARTICULATING A STRATEGY OF GRADUALISM

i

When Social Credit swept into power on the 22nd of August winning 56 of 63 seats, it was a radical party with a very nearly revolutionary agenda for change. It attacked the plutocracy and advocated a yet to be defined form of public control over the policy of finance and production, a redistribution of ownership of the means of production from its narrow base among big capitalists to a broad base encompassing all citizens, an end to the profit system, and a wholesale reorientation of the underlying ethic of society from competition to co-operation. Anticipating the struggle that would ensue before social credit could provide Albertans with the necessities of life, Aberhart reassured the public that no rash steps would be taken and urged his opponents to join with him in making Social Credit unanimous: "We want your confidence because we want to serve you." God seemed to be calling Albertans to a place of leadership and he hoped they would place their trust in Him.[1] Time would tell whether the people were prepared to back Social Credit's revolutionary agenda for change.

Within weeks of Social Credit's assuming power, critics began to hint that the more pertinent question was whether Social Credit's leaders would back that agenda. When Liberal leader W.R. Howson suggested that Aberhart already knew social credit could not be implemented, the new premier answered for his entire government: "We are here to establish Social Credit or die in the attempt."[2] Social Credit's leaders would not weaken in their resolve. Their commitment to social credit was complete, though there were casualties along the way. Before the self-imposed 18 month deadline for instituting social credit had expired, Aberhart was sick and the party's two youngest MLAs, Ernest C. Manning and Lucien Maynard, had spent months bedridden, their medical problems induced or at least complicated by fatigue brought on by overwork. Aberhart's tireless work for Social Credit and the Bible Institute probably lay behind the cirrhosis of the liver which killed him in 1943.

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[1] *ASCC*, 30 Aug. 1935

[2] Ibid.,15 Nov. 1935

Nevertheless, scholars have doubted Aberhart's commitment to social credit and agreed more with his critics. They argue he almost immediately adopted orthodox economic measures, chopping government expenditures and, in the fall of 1935, hiring a reputable financial expert, Robert Magor, to help balance the province's budget. Subsequent quarrels with Ottawa smacked more of regional protest than social credit. The only real social credit legislation Aberhart's government introduced in its first session in 1936, according to such scholars, was the Social Credit Measures Act. Pressed by backbenchers, the government performed slightly better in a second session in August 1936, but its reluctance was still obvious.[3] Only when Aberhart's 18 month deadline approached and the government was threatened with defeat at the hands of its own backbenchers did he finally accept a full social credit program. In reviewing such arguments, the impact of the failure to understand significant aspects of the Douglas and Aberhart variations of social credit can be seen. Scholars perceived Aberhart's social credit initiatives in keeping with their own narrow focus on monetary reform and largely in terms of their understanding of *Douglas* social credit. Put simply, if it did not say social credit, it was not social credit. Scholars missed the interlocking nature of Aberhart's social credit efforts and their relationship to Douglas social credit.

When Aberhart's understanding of Douglas's ideas is kept in mind, however, his government can be shown to have pursued a fairly consistent plan to introduce social credit in Alberta. Aberhart never wavered in his loyalty to social credit. His government's valiant efforts to deliver on its promises were hamstrung, however, by constitutional blockages and his quarrels with Douglas, who admitted that the principles of social credit had to be adapted to local circumstances but utterly opposed the strategy or methods Aberhart chose to deliver on his election promises.

The radically different strategies Aberhart and Douglas brought to the task of implementing social credit in Alberta have received too little attention.[4] As Aberhart had promised before the election, he expected to proceed with a survey of Alberta's population and economy to determine the province's productive capacity, while simultaneously working to establish credit houses as an alternative to the chartered banks, training social credit experts and technicians, and drafting laws that lay within the province's constitutional rights for the creation of dividends. The survey would provide the knowledge required for a scientific balancing of Alberta's production and consumption. An overall plan for introducing social credit would, in the interval, be drafted, hopefully with Douglas's guidance. Aberhart believed that, if he moved circumspectly, he could avoid provoking the federal government into disallowing his legislation.[5] He envisioned a peaceful transition to social credit, so he was also determined to avoid antagonizing Finance. Drawing on his religious beliefs, he had faith that, once individuals became aware that they were the unwitting tools of Finance, they would recognize the truth of social credit and change their ways.

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[3] Mallory, *Social Credit and the Federal Power*, 67, 70

[4] Elliott and Miller mention some of the differences but tend to ignore the implications for Aberhart's plans (*Bible Bill*, 201-28). Finkel ignores the issue (*Social Credit Phenomenon*).

In stark contrast, Douglas hoped Aberhart would proceed rapidly to engage Finance in battle and reveal to the world its strategy for enslaving mankind. As he had pointed out to Collins, before the Agricultural Committee, and in his Interim Report, the important first stage was to assert the province's right to create credit. Once the government moved in that direction, the Bank of Canada, acting for the International Financiers, would intervene and the war would be on. The most useful preliminary steps the government could take in preparing for that inevitable conflict were to establish control over a news circulating system (preferably radio) within the province in order to communicate with the public, to organize alternative credit institutions, and to begin accumulating "foreign" exchange so that Alberta could still import goods for its people.[6] Ultimately, control over the use of the armed forces would probably be necessary. In the meantime, talk of surveys, the drafting of a detailed plan, and even other interim measures to advance the implementation of social credit were all premature and could wait. Douglas imagined himself the commanding general of the forces

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Macpherson provides a better analysis (*Democracy in Alberta*, 164-65).

[5] *ASCC*, 26 April 1935

[6] Major C.H. Douglas, "First Interim Report on the Possibilities of the Application of Social Credit Principles to the Province of Alberta," reproduced in Douglas, *Alberta Experiment*, 117-18

of reform in the global war between Freedom and Finance. As will be shown, his advice to Aberhart through the fall and winter of 1935-36 frustrated Aberhart's efforts to fulfil his election promises.

ii

In the flush of victory in August 1935, Aberhart stressed that patience, unity, and vigilance were required to achieve social credit. Social Credit groups were to remain united so that they could educate people to the truths of social credit, guard against the "spies of the old capitalistic parties," and advise the government on local matters.[7] Their co-operation and participation were essential to the government's plans.[8] Achieving unity would not be easy -- 46% of the electorate had voted for other parties. The public expected rapid progress to the issuance of the dividend. Within Social Credit, there was significant local autonomy. The grass roots were loyal, but their education to the official ideology was only partial. Likewise, group leaders and MLAs had different understandings of social credit and, very often, different personal agendas. Broadening out trends, though so far of limited importance, were evident. Now, the responsibilities of government were about to intervene, inevitably contributing to a further broadening out of Social Credit's reform agenda. Aberhart's best hope of maintaining unity was to deliver expeditiously on his social credit promises. To do that, in spite of occasional pre-election bravado suggesting otherwise, he knew that Douglas's help was essential. As the last chapter showed, he had tried in the final days of the election campaign to eliminate some of the irritations that bothered Douglas.

With Social Credit's victory, at first both Aberhart and Douglas seemed anxious to overcome their past disagreements. Aberhart's famous cable to Douglas two days after his election victory, "Victorious when could you come?," was answered with alacrity by Douglas, "If necessary could sail middle September. Suggest calling me telephone ten morning Edmonton time."[9] But difficulties soon intruded.

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[7] *ASCC*, 13 Sept. 1935, 27 Sept. 1935, 18 Oct. 1935

[8] Ibid., 25 Oct. 1935

[9] Aberhart to Douglas, 24 Aug. 1935, in Douglas, *Alberta Experiment*, 125; Douglas to Aberhart, 26 Aug. 1935, in Ibid., 125

Aberhart was only in power a few days when he began to take the first steps that alienated Douglas and eventually led to his refusal to come to Alberta. Aberhart's first great problem on entering office on 3 September was the province's nearly bankrupt treasury. Between then and 31 March 1936, his government faced bond maturities, interest payments, relief payments, and maturing bank loans totalling $14,915,000[10] and a provincial debt of some $150 million. Since 1933, Aberhart had repeatedly argued that it was necessary to resolve Alberta's debt situation first in order to establish a solid foundation for the later erection of the social credit superstructure. He had long since abandoned the confiscatory measures he had called for in the Yellow Pamphlet, however, and, instead, advocated the voluntary purchase of government bonds to gain provincial control over Alberta's debt. In the short term, he suggested the government could tighten up the province's debt legislation while in the longer term, the issuance of dividends would eradicate private and public debts. Once in government, Aberhart more clearly realized the emergent nature of Alberta's debt problem. Drastic economies were needed. He quickly embarked for Ottawa, accompanied by his attorney-general John Hugill, to ask for a loan of $18 million. On route, they met a friend of Hugill's who worked for the National Trust Company and who introduced them to Robert J. Magor, a Montreal economist and businessman.[11]

Given his unresolved problems with Douglas and the enormity of his undertakings, Aberhart naively and almost indiscriminately sought advice in his first months in office. He soon began to think that Magor would be useful in helping his government cut costs and balance the budget. While in the east, he had discussions with Bruce Brougham, Douglas's official representative in the United States, and he tried to meet with Henry Ford. Brougham later showed up in Edmonton claiming to have Aberhart's authorization to draft a social credit plan for Alberta and briefly causing Aberhart, who disclaimed any such agreement, some embarrassment.[12] Aberhart, himself, returned to Edmonton in mid-September, with a

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[10] *ASCC*, 6 Sept. 1935; Elliott and Miller, *Bible Bill*, 207

[11] Ibid., 209

[12] *ASCC*, 29 Nov. 1935. Douglas also denied Brougham was representing him in Alberta (PAA, Herbert C. Boyd papers, 82.167, Douglas to Boyd, 29 Oct. 1935).

$2.25 million loan from Ottawa and a suggestion from R.B. Bennett that Alberta accept the appointment of a federal loan council to oversee its debt.

Awaiting Aberhart was advice from Douglas. Douglas once more reiterated his Interim Program suggestions about accumulating "foreign" currency and acquiring control of news broadcast facilities. In addition, he advised that Social Credit try to elect as many MPs as possible in the upcoming federal election. Only a united people could overcome Finance and Douglas knew Alberta Social Credit would need allies. Regarding Alberta's debt crisis, he recommended that Aberhart ask Albertans to exchange any stocks they owned for short-date Alberta bonds that would pay 1% plus the interest from their stock holdings. The money thus obtained would be used as collateral for the government's efforts to secure from a chartered bank a loan of some $5 million for which the government should offer to pay a 1.5% fee plus administrative costs. Here, Douglas wanted to establish the principle that money was created debt free and that banks were only entitled to administration costs and a small commission for their loans. He reassured Aberhart that the "general outlines of a more permanent plan are well under way," but warned, "it seems expedient not to commit them to paper at the present moment, in case the information should come into wrong hands." Before mailing the letter, Douglas received news of Aberhart's intention to solicit a loan from Ottawa and offered his approval.[13] Douglas's reference to a permanent plan seems to have been purposefully misleading. Events would show the only permanent plan he had in mind was the strategy for attacking Finance he had already proposed in his Interim Report.

Over the next few weeks, Douglas became more seriously concerned about Aberhart's judgement and, eventually, his loyalty to social credit -- although only rumours of the widening breach between the two reached the public for the next several months. Douglas was convinced that Finance hoped to drive a wedge between himself and Aberhart by inducing Aberhart to co-operate with the chartered banks. Then, it would impose control over the province's finances just as it had done in Australia and Newfoundland. He advised Aberhart accordingly. Worried that Aberhart might listen to the proposal for a loan council,

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[13] Douglas to Aberhart, 5 Sept. 1935, in Douglas, *Alberta Experiment* , 127-31

Douglas warned the "voice might be that of Mr. Bennett, [but] the policy is that of Mr. Montagu Norman."[14] Norman had recently held discussions with Graham Tower about the setup of the Bank of Canada.[15]

Aberhart's response troubled Douglas further. Aberhart agreed on the importance of electing as many Social Credit MPs as possible and on establishing control over a news agency, but he obviously did not share Douglas's understanding of the strategy of Finance or its influence over the day-to-day actions of the federal government. He tried to reassure Douglas that he would not let the bankers come between them, then suggested blandly that there was no need to worry about the loan council, since Canadian provinces had greater autonomy regarding credit than was the case in Australia. He admitted a certain sympathy with the federal government's reasons for wanting a loan council. In the meantime, he would be careful to avoid antagonizing finance: "I have found that we get greater support by presenting our case rather than attacking the enemy." Douglas's suggestion of exchanging stocks for provincial government bonds he rejected as too likely to alarm Albertans -- no doubt because of its resemblance to his own controversial Yellow Pamphlet scheme -- and Douglas's idea of approaching a chartered bank for a loan he airily rebuffed as a matter of detail that could be decided after Douglas came to Alberta. What Aberhart badly wanted from Douglas was advice on conducting the registration of citizens and survey of the economy, so that the government could secure the data needed to balance production and consumption, and, most importantly, a draft of the permanent plan to implement social credit in Alberta.[16]

To Douglas, Aberhart's strategy verged uncomfortably on outright co-operation with Finance. Could Aberhart be so foolish as to imagine Finance would allow him to implement social credit? He had not grasped or had chosen to ignore the logic underlying the Interim Report. Smarting from Aberhart's easy dismissal of his ideas, Douglas acidly informed

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[14] Douglas to Aberhart, 10 Sept. 1935, in Ibid., 134-35; Douglas to Aberhart, 11 Sept. 1935, in Ibid., 133-34

[15] Fullerton, *Graham Towers and His Times*, 75

[16] See the three letters Aberhart wrote Douglas dated 24 Sept. 1935 in Douglas, *Alberta Experiment*, 136-43.

Aberhart that he already had sufficient data to inaugurate social credit. Aberhart had also been mistaken in thinking that asking for a loan from a chartered bank was a matter of detail. It was, in fact, the lynch-pin for Douglas's entire strategy: "I should like to make it clear beyond any possible misconception that ... no sound formulation of any scheme, can be made until the method by which access to the Public Credit, in the same sense that the banks now have access to the Public Credit, has been decided upon." The first step was to seek a loan. When the banks refused -- and they would -- the next step was to create an alternative institution that would enable Alberta to create its own credit.[17] Apparently as a result of Douglas's advice, Aberhart cancelled his plans to proceed with a registration of citizens and a survey of production. Other measures Aberhart took, however, troubled Douglas even more.

When Social Credit came to power, it had an instinctive distrust of many of the traditional advisors to government. The UFA government had repeatedly tried to undermine and destroy the social credit cause, and, at first, Social Credit showed little desire to consider the civil servants it inherited independently from their former masters. Aberhart's disinclination to bow to the bureaucrats' expertise was backed by Douglas's arguments that top level civil servants were subject to "secret influences;" they were an impediment to democracy because of their control over the political heads of departments, and they should, if possible, be dismissed.[18] In its first months in office, Social Credit eagerly replaced several top level civil servants, though that was hardly an unusual move for a new government. When the *Chronicle* suggested there was a "death list," however, Aberhart issued a quick denial. He also rejected any notion that his government was engaging in patronage, although some patronage appointments were made.[19] The top level dismissals combined with

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[17] Douglas to Aberhart, 15 Oct. 1935, in Ibid., 145-47

[18] Douglas, *Social Credit*, 126-27

[19] *ASCC*, 20 Sept. 1935, 27 Sept. 1935, 15 Nov. 1935. Social Credit's use of patronage requires further study. Among the eight top level civil servants let go in Social Credit's first three months in office were the director of the petroleum and natural gas division of Lands and Mines, one of the Public Utility Board's two commissioners, the clerk of the executive council, the civil service commissioner, the King's Printer, and the head of the Workman's Compensation Board. At least the latter three were replaced with friends and loyal Social

Aberhart's continuing quarrels with Douglas meant Social Credit had to rely on its own members for expertise.

Few members of the caucus were distinguished by outstanding previous accomplishments. Most MLAs were farmers, small businessmen, and teachers.[20] Few had any higher education. Many had strong religious affiliations and were long time residents of their communities, fairly active in local affairs but with limited experience in politics prior to their work for Social Credit. Using his control over the final selection of candidates, Aberhart had attempted to bring in a few individuals with particular skills. As Finkel argues, they were generally individuals whose appetite for reform was limited to monetary change. Charles C. Cockroft, the provincial treasurer, was an accountant and had civic government experience. John Hugill, the attorney general, had been a member of R.B. Bennett's law firm. Charles C. Ross, the minister of lands and mines, who was brought in after Aberhart's original choice for that position did not win election, had worked for the federal government as a district supervisor for mines and petroleum.[21] While introducing much needed expertise into the government, Aberhart's choices contributed to the alienation of Douglas, who feared they were Finance's spies.

In fairness, some of the dismissals of top level civil servants were part of the government's cost-cutting efforts. Douglas's analysis pointed to debt as the instrument that enslaved governments to Finance. The southern and northern conventions of March and

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Crediters. Ironically, the opposition and newspaper-led outcry against the firings reached its peak about the time Social Credit "encouraged" the deputy provincial treasurer to leave. The government finally backed down and Social Credit wound up with an orthodox deputy. Aberhart reassured A. Farmilo, secretary of the Civil Service Association that the layoffs would not extend to the rank-and-file, providing they gave loyal service. According to Farmilo, loyal service was understood to mean: "We may not all see alike, but he [Aberhart] expects the civil service to be guarded in regard to the disemination [sic] of knowledge or criticism of government policies outside the service" (*ASCC*, 6 Dec. 1935).

[20] Harold and Tamara Palmer record the occupations of the Social Credit MLAs as 18 small town merchants, agents and salesmen, 12 farmers, 8 school teachers, 4 preachers, 4 lawyers, 2 doctors, 2 dentists, 3 railway workers, 2 clerks, and 2 butchers (*Alberta*, 266).

[21] Elliott and Miller, *Bible Bill*, 205-05. Aberhart and Manning were always members of the advisory committee that chose the candidates (Irving, *Social Credit Movement*, 141). Finkel, *Social Credit Phenomenon*, 32

April 1935 had previously endorsed resolutions calling for greater efficiency and reduced costs in running all government departments. Aberhart believed that a balanced budget was essential both to stop the government from falling further in debt to Finance and to establish a sound basis for monetizing the credit of the province. The realm of the pure church must be separate from the realm of evil. Aberhart's conservative cabinet appointees encouraged this fiscal conservatism. To assist with balancing the budget and to oversee the government's various economy measures, the government looked for outside expertise. In late October, Aberhart hired Robert Magor, the economist he had met on his trip to Ottawa.[22] Under Magor's direction, the government began restructuring departments, eliminating unnecessary commissions, and cutting some civil servants' salaries.[23] A puritan tone of frugality was introduced. Government staff were to cease smoking and loitering in the work place and they were not to leave their desks prior to bell ringing for quitting time.[24] Aberhart denied *Chronicle* reports that two of his ministers had ordered "girl" secretaries to wash off lipstick, rouge, powder and other "artificial methods of facial beautification."[25] To achieve further economies, the government planned to eliminate the Publicity Department and to transfer the collection of income tax to the federal government.[26]

Douglas thought Aberhart's cost-cutting strategies ill-conceived and his hiring of Magor inexcusable. Magor had been Finance's point man in its assertion of control over Newfoundland. In hiring him, Aberhart had directly contravened Douglas's earlier advice and played into Finance's hands.. In late October, Douglas fired off an angry letter to Aberhart:

> In my first Interim Report I made it clear, I think, that the problem to be faced by Alberta, if it is to depart from purely orthodox lines, is that of emancipation from the power of banking and international finance, and that the primary steps to this end were, not the formulation of a specific plan to deal with Provincial finance when this emancipation has been achieved, but were in the nature of inroads upon the monopoly of credit, which were

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[22] *ASCC*, 25 Oct. 1935, 8 Nov. 1935, 29 Nov. 1935

[23] Ibid., 1 Nov. 1935, 8 Nov. 1935, 22 Nov. 1935

[24] Ibid., 22 Nov. 1935

[25] Ibid., 4 Oct. 1935

[26] Ibid., 1 Nov. 1935, 8 Nov. 1935

> bound to be resisted, since they were directed against the continuance of banking and financial dominance.
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> A policy which apparently aims at defeating the banks with the assistance of the banks themselves, under the supervision of an agent of the banks, seems to be so dangerous that I do not feel that it has a reasonable chance of success...[27]

Douglas had earlier put off coming to Alberta until after the federal election. Now, he asked for the termination of the contract he had entered into with the former UFA government and which still had several months to run. Later, he explicitly condemned Aberhart's policies of seeking a balanced budget and economies in administration as "integral parts of a policy directly opposite to that to which your Government is by name committed."[28] According to Douglas, it was not possible to segregate Magor's advice from any advice he might give regarding social credit.[29] He apparently hoped to force Aberhart into firing Magor and accepting his leadership. He believed himself indispensable to the success of Alberta Social Credit -- he was the expert and should be given free reign to decide what methods would bring the results Albertans had demanded.

Douglas's threatened resignation did not stop him from tendering more advice. Early in 1936, he warned Aberhart not to accept federal control over income tax collection, since that would just undermine the province's autonomy to determine its own financial affairs, and he even recommended that the province renounce all claims to federal subsidy payments with the goal of minimizing federal influence over taxation in Alberta.[30] By offering such advice, he still hoped disastrous mistakes could be avoided, but he had all but given up on Aberhart as leader of the Alberta movement. He renewed communications with some of Aberhart's old rivals and began intriguing for Aberhart's replacement. In October, he wrote Herbert C. Boyd: "So far as I can see, there is nothing now to prevent the bankers from taking the first one or two tricks, with results which may be very serious for the population of Alberta. The fight, however, is only just beginning."[31] In keeping with the spirit of his recent New Zealand scheme and his Interim Report, he asked Boyd to investigate what sanctions the provincial government could employ against the banks.[32] He also wrote Henry Spencer inquiring about the possibility of forming a coalition government in Alberta.[33] Word of Douglas's concerns soon spread and began eating away at Aberhart's support within the caucus.

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[27] Douglas to Aberhart, 29 Oct. 1935, in Douglas, *Alberta Experiment* , 147-51

[28] Douglas to Aberhart, 11 Dec. 1935, in Ibid., 159-61

[29] Douglas to Aberhart, 31 Dec. 1935, in Ibid., 165-66

[30] Douglas to Aberhart, 6 Feb. 1936, in Ibid., 172-74

Aberhart was angered by the reprimands in Douglas's letters. "You will pardon me, I am sure," he replied, "when I say that I personally do not intend to sink my right as Premier to express my opinion upon your advice or that of any other person in the employ of the government. I am responsible to the people, and I of course shall be called to account for any mistakes that are made." He defended his hiring of Magor, who, he insisted, would have nothing to do with the introduction of social credit, and suggested rival Social Credit groups and the newspapers had misled Douglas.[34] Nevertheless, Aberhart may have been more wary of Magor after Douglas's warning.[35]

In spite of his anger, Aberhart still tried to pacify Douglas. His government followed some of Douglas's advice, such as shopping for a newspaper and radio station. Aberhart also patiently explained his government's reasons for cutting expenditures and its efforts to come to terms with its debt problem.[36] Social Credit had been hopeful of further federal help when Mackenzie King took over as Prime Minister in October but King was not proving co-operative. At a Dominion-Provincial conference in December, he renewed Bennett's call for a loan council that would seek to convert provincial debt into bonds at lower interest rates but would also have the right to approve provincial borrowing.[37] Aberhart explained to Douglas in January, that, in order to decrease the province's debt payments, his government was trying to negotiate interest rate reductions of some 50% on external debts but would refuse King's loan council proposal. Finally, Aberhart promised Douglas that his government would introduce enabling legislation during the soon-to-commence session of the legislature.[38]

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[31] Boyd papers, 82.167, Douglas to Boyd, 29 Oct. 1935

[32] Ibid., Douglas to Boyd, 14 January 1936

[33] Spencer papers, M1165, box 2, file 19, Douglas to Spencer, 11 Feb. 1936

[34] Aberhart to Douglas, 24 Jan. 1936, in Douglas, *Alberta Experiment*, 167-71

[35] See the coded telegram sent to Aberhart, while he was in Ottawa, from Manning in PAA, Department of Provincial Secretary papers, 71.441, box 2, file 4s, telegraph Manning to Aberhart, c/o R.J. Magor, 5 Dec. 1935. The telegraph, which I have not been able to decipher, read: "Following catechumen glazing Douglas. Opposition ludicrously relinquish laura niobe arrester rod parisian slam I. Pomona lubicrously Douglas mercantile usual skeleton."

[36] Aberhart to Douglas, 24 Jan. 1936, in Douglas, *Alberta Experiment*, 167-71

More Social Credit MLAs were becoming frustrated by the unresolved dispute between Aberhart and Douglas and the lack of meaningful progress toward implementing social credit. The government's hopes of rapidly surveying the provincial economy, training social credit workers, and establishing credit houses had been a victim of that dispute. Consequently, progress toward the more important next step, in which dividends and production loans would be issued, was virtually non-existent. The success of the government's budget cuts and efforts to balance the budget had been severely limited by the debt problem. About one-half of the provincial budget went to debt payments. Not only had efforts to renegotiate the provincial debt failed, the bond payments would soon be due. The promotion of Social Credit outside Alberta had also disappointed. Alberta Social Credit had little time in its first weeks in office to assist Social Credit movements in other provinces. In the federal election, Social Credit elected 17 MPs, 15 from Alberta and 2 from Saskatchewan.

The government believed it had made greater progress toward the establishment of just prices. Basing its policy on Aberhart's understanding of price spreads, it planned to eliminate the present unfair price spreads, then re-introduce a lower levy and establish a fair commission on turnover. The unfair profits extracted from existing price spreads would be available to help finance dividends for consumers.[39] Through the fall of 1935, plans advanced to introduce price codes through orders-in-council using the authority of the 1934 Trade and Industry Act, which had been passed by the UFA government. The codes, according to Manning, the responsible minister, would be general in scope but include the social credit principles of regulation of industry and a just price.[40] He admitted that most merchants wanted only minimum prices established to prevent the larger stores from using loss leaders, but the government thought consumer interests would be better protected if maximum prices were also set.[41] Over business opposition that the planned codes did not take into account problems of fluctuating prices, mail order competition, and natural monopolies, arrangements for the codes advanced.[42]

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[37] Mallory, *Social Credit and the Federal Power*, 109

[38] Aberhart to Douglas, 24 Jan. 1936, in Douglas, *Alberta Experiment*, 167-71

[39] *Today and Tomorrow* (*TT*), 24 Feb. 1936

Promoting the development of Alberta as a social credit economic zone through export, consumption, and import substitution policies seemed to be another field in which the government could make progress unhindered by its quarrels with Douglas. Alberta's situation was unique, the *Chronicle* explained, and it was up to local Socreders to follow in Aberhart's footsteps and work out practical, local solutions, with due regard for the fundamentals established by Douglas.[43] There were a variety of reasons why the government put so much energy into these policies.

The policies seemed to be in line with Douglas's ideas. According to Douglas, just as a freely functioning, responsible individual could not be dependent on others for the necessities of life, so a free and responsible nation could not be dependent on other nations for its economic well-being. In this sense, Douglas social credit was a strategy to wrest away the extra-territorial power of Finance and return it to the nation state. At present, nations were forced to export to make up for the shortfall of purchasing power engineered by Finance. Exports depleted a nation's wealth. Competition for export markets between nations led ultimately to war. Under social credit, however, the shortfall of purchasing power would disappear. Nations would choose to export only those products they had in surplus and would import only what could not be produced at home. Relative competitive advantages were assumed to be overridden through the application of social credit economics. It was at least implicit in Douglas's recommendations that Alberta would become a sovereign social credit territory. In this sense, his ideas were fundamentally incompatible with Alberta's constitutional position in a federal state. While at first, Douglas probably overestimated the extent to which Alberta was already self-supporting, he later recognized the province's dependence on trade with "foreign" regions ruled by Finance. In his Interim Report, he warned that the province's fight with Finance could lead to problems securing necessary imports and recommended that the government increase its reserves of "foreign" currency as a preparatory measure. In the longer term, he advised that Alberta's internal resources could be developed under social credit in keeping with physical rather than financial capacity.[44] The proportion of manufactures made in Alberta would increase and the province would become more self-supporting.[45]

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[40] *ASCC*, 29 Nov. 1935

[41] Ibid., 20 Dec. 1935

[42] Ibid., 10 Jan. 1936

[43] Ibid., 13 Dec. 1935

On a more practical level, the strengthening of Alberta's economy responded to many of the broadening out trends visible in Social Credit's reform platform before the election. Within months of Social Credit's victory, the government and the party were besieged with resolutions demanding action on local roads, railways, telephones, unemployment, and relief problems. Social Credit export, consumption, and import substitution policies spoke to many of these demands and also met with widespread approval within the caucus, including among the future insurgents. The policies seemed to promise a way around the government's constitutional limitations. Surely, if virtually all business was internal, the province would be allowed to establish dividends, just prices, and credit loans for producers. In political terms, if the government could show that new industry was locating in Alberta, it might counter persistent reports that businessmen were fleeing because of Social Credit.[46] Aberhart understood better than Douglas the extent to which Alberta lacked industrial development and depended on trade in primary products. These conditions made it particularly vulnerable to Finance. In keeping with Douglas's A +B theorem, the shortfall of purchasing power arose when Finance passed on to consumers the costs of intermediary production arising from industrialization. When they purchased imported goods, Alberta consumers paid the costs of intermediary production to Eastern manufacturers and banks without the customary benefits of increased employment.

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[44] Douglas, "Interim Report," 117, 113

[45] *ASCC*, 27 Sept. 1935

[46] See F.M. Baker's comments in *TT*, 30 April 1936.

Given Aberhart's quarrels with Douglas, export, consumption, and import substitution policies took on added importance as ways of advancing towards a social credit economy. Alberta exports could help to cover "interest obligations, maturing bonds and imports of goods."[47] Exports could also play a role in acquiring the foreign currency Douglas urged on the Alberta party. The exchange problem could be further attacked by directing production to goods demanded outside Alberta, while Alberta consumers limited their demands to Alberta-produced goods.[48] Import substitution, particularly if new industry was financed according to social credit principles, could free the province and its people from the external economy that was controlled by Finance, while reducing unemployment and the need for foreign currency.[49]

At times, Social Credit still assumed that almost any product could be manufactured in Alberta, since domestic credit could be expanded dramatically within a production-for-use social credit economy to overcome production inefficiencies.[50] At other times, Social Credit took a more realistic view. For instance, it admitted Alberta might not be able to produce all textiles, but a woolen industry was possible and it could certainly produce more leather goods.[51] Importantly, the government recognized Alberta lacked the iron ore needed for a primary steel industry, but it could import scrap steel and establish a secondary steel manufacturing industry.[52]

Boosting industrialization had a noticeable impact on Social Credit's attitude to capitalism. The government required the co-operation of Alberta businessmen to establish Alberta as an independent social credit zone. As will be shown, it also hoped to convince manufacturers in central Canada to move to Alberta. The anti-capitalist rhetoric, so characteristic of Social Credit before the 1935 election, was incompatible with the goal of industrializing the province and rapidly diminished. For all its optimism about establishing Alberta as a social credit economic zone, however, actual results during the government's first months in office were minimal.

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[47] *ASCC*, 13 Dec. 1935

[48] Ibid.

[49] *TT*, 30 Apr. 1936

[50] Ibid.

[51] *ASCC*, 13 Dec. 1935; *TT*, 10 Feb. 1936

[52] *ASCC*, 13 Dec. 1935

The scope and limitations of the government's plans more generally were evident in the legislation it introduced during the February and March 1936 session. As was shown in the last chapter, during the election Aberhart had paid more attention to price spreads than to the creation of new purchasing power. Once in government, he relied most heavily on Douglas for advice on credit creation. At first, he had planned to wait to bring in enabling legislation for the creation of social credit until the fall of 1936, which would presumably be after the receipt of Douglas's permanent plan. Under public pressure, however, he had finally promised in mid-November to introduce some basic legislation in the spring session.[53] Later, partly due to his ongoing difficulties with Douglas, he had become more pessimistic about fulfilling his promises to establish social credit within 18 months. More decisively, he had already received advice from Attorney-General Hugill that Alberta did not have the constitutional power to create dividends.[54] That advice was crucial for all Aberhart's plans and his breezy optimism about the constitutionality of the dividend disappeared. He was not willing to break the law deliberately. He even suggested he might need an extra four to six months to institute social credit in its entirety.[55] Not surprisingly, the enabling legislation introduced in the spring session provided wide-ranging powers but little detail.

The Social Credit Measures Act asserted the people's claim "to the full benefit of the increment arising from their association." It gave the Lieutenant-Governor-in-Council the right to appoint persons to investigate and report back on both the means of establishing social credit (dividends, price discounts, just price, commission on turnover) and the operations of any business to discover if it operated to the detriment of the province or its people. The Lieutenant-Governor-in-Council was empowered to adopt any measures regarding the exchange of goods and services intended to equate production with consumption, provided such measures fell within the legislative competence of the province.[56] Manning excused the lack of substance in the bill by claiming it would be foolish to provide details when Social Credit's enemies would use the information to plan their attack.[57] In a general sense, the act established the government's approach to social credit. Although the wide-ranging investigatory powers were troubling, the government would stay within the constitution and bring in the kind of measures it had promised during the election.

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[53] Ibid., 8 Nov. 1935, 15 Nov. 1935

[54] Alfred Hooke, *30 + 5, I Know I Was There* (Edmonton: Institute of Applied Art Ltd., 1971), 122

[55] Ibid., 10 Jan. 1936

Two acts enhanced the government's powers to fix just prices through codes. The Department of Trade and Industry Act, Amendment Act, 1936 expanded the government's right to fix prices from the minimum prices specified in the 1934 act to include maximum prices. For the codes to come into force, the approval of those engaged in the trade was reduced from 66% to a simple majority. It was implied that, if such approval was not forthcoming, the government could act unilaterally. The provisions of the act were made retroactive to 18 October 1934.[58] The Licensing of Trades and Businesses Act dramatically broadened the range of trades and businesses that the government could license to include all those not covered previously by other legislation. Penalties for non-compliance ranged from $250 to $500 or 3 months imprisonment. The minister of trade and industry was given the right to suspend the license of any licensee who habitually contravened the codes and regulations established under the Department of Trade and Industry Act.[59]

The government's concerns about industrializing the province were reflected in The Provincial Industries Development Act. The act gave the minister of trade and industry wide-ranging powers "to do all such acts and things as he deems proper and convenient for the purpose of encouraging and assisting the establishment of industries for the processing or manufacture of any natural product of the Province and for the purpose of the extension of any such industry." Specifically, the Lieutenant-Governor-in-Council could authorize the treasurer to guarantee the securities, obligations, and financial undertakings of any company incorporated in Alberta which had for its object the development or processing of natural resources of the province, or manufacture making "substantial use" of natural products of the province. A maximum of $250,000 in total guarantees was specified in the act. The act was in keeping with Douglas's ideas. Finance had gained its power by lending money for intermediary production. While Social Credit wanted Alberta industrialized, it was concerned that such industrialization would increase Finance's power. The government, itself, did not have the financial capacity to replace the banks so it attempted to use government guarantees as a lever against Finance's power. To qualify for a guarantee the company was to have no more than $100,000 of authorized capital, no outstanding preferential shares, and a high capital to debt ratio. In return, the government would receive the right to audit the company's books and to approve any future borrowings and stock issues. Maximum dividends and commissions for the sale of shares were also established.[60] Such measures closely paralleled the thoughts and prejudices Douglas had revealed in his three schemes for instituting social credit. Aberhart predicted that the Development Act together with the Trade and Industry Act, Amendment Act would mean decreasing unemployment, more "Made in Alberta" goods, and lower prices.[61]

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[56] *Statutes of Alberta*, 1936, chapter 5

[57] Elliott and Miller, *Bible Bill*, 236

[58] *Statutes of Alberta*, 1936, chapter 66

[59] Ibid., 1936, chapter 67

The government's approach in such legislation may have created an outward appearance that Aberhart was vacillating on his commitments to introduce social credit, but such was not the case. Faced with a constitutional impasse and Douglas's refusal to come to Alberta, the government chose the path of least resistance in its first session. Behind the scenes it was searching for a constitutionally acceptable way of introducing social credit and it was still trying to lure Douglas to Alberta. As the session wore on, Aberhart followed more of Douglas's advice. With the help of "Hilly" Hill, he obtained an option to purchase the Calgary *Albertan* and its radio station. He looked forward to his government communicating with the general public without the interference of Finance's newspapers.[62] He also retained a government publicity department. The day the legislative session began, he wrote to ask Douglas for further instructions, particularly regarding the next bond payment due on 1 April 1936, and again requested Douglas's presence in Alberta, perhaps after the first session was completed.[63] Later, although he rejected Douglas's advice about foregoing the federal subsidy, which was then netting Alberta some $250,000 more than left the province in income taxes, he did shelve plans to turn income tax collection over to the federal government.[64]

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[60] Ibid., 1936, chapter 71

[61] *TT*, 23 Apr. 1936

For his part, Douglas was still reluctant, given the international prominence of the Alberta movement, to sever ties with Aberhart. He tried repeatedly to make Aberhart understand that Finance's strategy was, first, to avoid direct interference but place "legislative and administrative difficulties" in the way of the government, and, second,

> to claim (as is being done by the present Federal Government at Ottawa) that the major issue at the present time is the control of credit by the people and, under cover of this indisputable declaration, to take such legislative action as will place the armed forces of the State (which is at present quite incorrectly identified with the People) at the disposal of a group of international financiers by means of so-called Nationalisation of Central Banking ...

He advised Aberhart constantly to guard against attempts to reduce the province's legal ability to act in regard to its own credit, to attempt to transfer control of the Police Force and Public Services to the province, and to withdraw from Federally controlled institutions. The public had to be made aware of every attempt by Finance to block the government's actions[65] Douglas specifically opposed the government's plans to announce a balanced budget during the session: "This seems to be a suitable occasion on which to emphasise the proposition that a Balanced Budget is quite inconsistent with the use of Social Credit in the modern world, and is simply a statement in accounting figures that the progress of the country is stationary, i.e., that it consumes exactly what it produces, including capital assets." To deal with the province's debt, he expanded on the proposal explained in his Interim Report, for transferring external debt into Alberta credit. The government should approach Ottawa to take over the bonded debt at 2.5% with the province pledged only to pay the interest. The federal government would refuse, following which, the provincial government was to require bondholders to present their bonds for registration, allowing the province to re-acquire control over its own credit without having to divest itself of its Canadian credits.[66] Finally, Douglas scolded Aberhart for not notifying him earlier about the 1 April bond payment.[67]

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[62] *ASCC*, 13 Dec. 1935, 10 Jan 1936

[63] Aberhart to Douglas, 6 Feb. 1936, in Douglas, *Alberta Experiment* , 172-74

[64] Aberhart to Douglas, 20 Feb. 1936, in Ibid., 181-82

[65] Douglas to Aberhart, 13 Feb. 1936, in Ibid., 174-78

Obviously, Douglas was not troubled by legal niceties. Alberta lacked the constitutional capacity to take the actions Douglas recommended and the enforcement capacity to make its decisions stick if it acted outside the law. It had no reserve of "foreign" credit to pay for essential imports and its fiscal options were narrowed by its large debt. The thought must have crossed Aberhart's mind that, while Douglas claimed to have all the data he required for a social credit plan, he seemed to be ignorant of basic facts about the province.

Aberhart ignored Douglas's advice to flout the law. His government remained determined to balance the budget and avoid borrowing from Finance. To increase its revenues, it passed legislation in the spring session changing the liquor board laws, increasing income taxes, motor license fees, and fuel oil taxes, and introducing a sales tax of 2%. Aberhart defended the lack of mention of dividends in the budget on the grounds that there was "no need of setting money aside for the establishment of Social Credit"[68]

By 3 March, the split between Aberhart and Douglas was public, while in private their communication continued to a final rupture at the end of March. Throughout, Douglas peppered Aberhart with advice and criticism. His government was not to increase taxes,[69] but to reduce income and property taxes as soon as possible, and to reject King's latest loan council proposal regarding redemption.[70] Douglas hectored Aberhart that it was absurd to think that he could win the war without fighting any battles:

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[66] Douglas to Aberhart, 24 Feb. 1936, in Ibid., 184-88

[67] Douglas to Aberhart, 24 Feb. 1936, in Ibid., 184

[68] *TT*, 9 March 1936

[69] Douglas to Aberhart, 4 March 1936 in Douglas, *Alberta Experiment* , 189

> I suggest that if you do not wish to challenge Financial Dictatorship, the matter may be made as clear as possible to the public of Alberta by the publication of the whole correspondence, both mailed and cabled, which has passed between us from the date of your election to the present, in order that your constituents may judge which of the two policies considered in my First Interim Report [capitulation to Finance or attempting to wrest the power over the creation of credit from Finance] they wish to pursue, instead of, as at present, pursuing, under a misconception, the policy of capitulation to orthodox finance under the label of a Social Credit Government.[71]

He made one last offer to send a qualified colleague in his place to Alberta provided that colleague would be at complete liberty to make his views known to the public and to confer with any persons or parties seeking financial reform.[72] If Aberhart rejected such help, he suggested that Aberhart's rivals, Spenser, Boyd, and Collins could provide advice.[73] Privately, Douglas wrote Boyd that it was absolutely vital that Magor be let go, "since at the present time we are merely passing on information to the Bank of England, through him."[74]

Aberhart flatly rejected Douglas's conditions and, with the backing of his caucus, broke relations with Douglas on 27 March.[75] The next day the caucus pledged its "united and unqualified support" for Aberhart to bring in "practical Social Credit."[76] Yet signs of a split within the Alberta caucus were growing. A Liberal resolution to have the correspondence between Aberhart and Douglas tabled in the legislature earned enough Social Credit votes to pass. The correspondence was tabled on 30 March. According to Boyd, the caucus regarded

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[70] Douglas to Aberhart, 9 March 1936 in Ibid., 190

[71] Douglas to Aberhart, 13 March 1936 in Ibid., 191-94

[72] Douglas to Aberhart, 13 March 1936 and Douglas to Aberhart, 21 March 1936, in Ibid., 194-95.

[73] Douglas to Aberhart, 24 March 1936, in Ibid., 196-98

[74] Boyd papers, 82.167, Douglas to Boyd, 17 March 1935

[75] *Edmonton Journal*, 27 March 1937

[76] Ibid., 28 March 1937

Magor's appointment as a mistake and wanted him forced out.[77] Rumours abounded that a "left-wing" faction within the caucus was trying to force Aberhart's hand.

When the government passed The Provincial Loans Refunding Act that session, Douglas may have wondered whether Aberhart was actually leaving the door open to King's latest loan council proposals or establishing a basis for "patriating" the province's debt in keeping with his own recommendation. The act actually was more of a bargaining chip in Alberta's negotiations with the federal government over the bond payments due 1 April. It empowered the Lieutenant-Governor-in-Council both to enter into agreements with the government of Canada regarding guarantees for refunding and future borrowings and to issue "The Alberta Government Perpetual Stock."[78] Stalling for time, Aberhart first warned the federal government that it might have to default on its 1 April payments, then notified Dunning on 21 March that his government could not approve the loan council proposal until the terms and provisions of its powers were clarified.[79] Dunning cabled back: "In brief a Council consisting of representative named by the Province and the Dominion Minister of Finance with the Bank of Canada Governor acting as technical adviser will have power to approve any program for refunding of existing provincial debt and any future borrowing by province before Dominion guarantee will be given."[80] There was no chance that Aberhart would approve such a loan council. The province next attempted a variation of Douglas's advice and tried to convince the federal government to guarantee interest on its proposed stock issue by promising to hypothecate either its federal subsidy payments against the interest guarantee[81] or the entire amount of the natural resources payment owed by the federal government.[82] Dunning rejected both suggestions. There was no constitutional authority for hypothecating subsidy payments against interest and the natural resource settlement would have to be applied against monies Alberta already owed Ottawa.[83] With no apparent choice left, the Alberta government defaulted on its bond payments on 1 April. The first session ended a few days later. In the event, the Provincial Loans Refunding Act was not proclaimed. Instead, through an order-in-council on 1 May, the government unilaterally cut interest rates on Alberta securities by 50% as of 1 June.[84] The default would save the government millions of dollars and greatly aid its attempt to balance the budget.

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[77] Boyd papers, 82.167, Boyd to Douglas, 14 March 1936

[78] *Statutes of Alberta*, 1936, chapter 6

[79] National Archives of Canada (NAC), King papers, MG26J1, vol. 213, Aberhart to Charles A. Dunning, Min. of Finance, 20 March 1936; Ibid., vol. 213, Aberhart to Dunning, 21 March 1936

[80] Ibid., vol. 215, Dunning to Aberhart, 23 March 1936

[81] Ibid., vol. 215, Aberhart to Dunning, 27 March 1936

[82] Ibid., vol. 213, Aberhart to Dunning, 30 March 1936

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Following the spring session, Douglas continued his attempts to undermine Aberhart's leadership. In early April, he wrote Boyd that Aberhart was "merely a tool" of Finance. "[I]t seems impossible to avoid the conclusion that the whole situation [of Aberhart's election] was carefully framed up for the purpose of providing a Social Credit debacle." Hugill, Howson, by then a member of the Supreme Court, Ross, and Cockroft had been put in positions of power "to manipulate the Legal, the Accounting, and the Mining aspects of Alberta's interests." According to Douglas, even the Social Credit Measures Act and the Refunding Bill were blocking measures to prevent his suggestions from being carried out. "I am afraid Mr. Aberhart is now of no further use to the Social Credit Movement, and is, presently, a liability rather than an asset."[85] Writing Spencer, Douglas expressed confidence that social credit could still be instituted in Alberta: "nothing that has happened in the past nine months has anything to do with the relations between the Provinces and the Federal Government. Or, to put it another way, such over-riding powers as the Federal Government may possess have not been exercised. The failure to progress towards Social Credit rests squarely on the shoulders of Mr. Aberhart and no-one else."[86] In Douglas's mind, the lack of federal intervention validated not Aberhart's non-confrontational approach but his own position that Aberhart should have boldly tried to wrest control over the monetization of credit from

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[83] Ibid., vol. 215, Dunning to Aberhart, 30 March 1936

[84] Mallory, *Social Credit and the Federal Power*, 135

[85] Boyd papers, 82.167, Douglas to Boyd, 8 April 1936

[86] Spencer papers, M1165, file 19, Douglas to Spencer, 23 April 1936

Finance. The only two gains he believed Social Credit had made -- the defeat of the loan council scheme and the exposure of Finance's plot to use Magor as its agent -- were both due to his own intervention.[87]

By March, rumours were circulating about increased backbencher discontent.[88] The rumours were true and were the result of two different factions of disgruntled Socred MLAs. The first faction consisted of the pure Douglasites and their growing number of supporters. For many within the caucus, the release of Douglas's letters provided a focus for complaint. Some were upset about Magor's role in the government's economy measures.[89] Others opposed the government's determination to balance the budget, and others, Aberhart's apparent refusal to challenge Finance. Douglas's letters warned that Aberhart's strategy, by allowing Finance to place "legislative and administrative difficulties" in Social Credit's way, risked failure for the movement. The letters also stressed an alternative strategy. The government could concentrate on gaining control over the creation of credit. It could rely on the justness of its cause, ignore the constitution, and impose sanctions on Finance. From Collins, Douglas received word at the end of April of an emerging split between the Aberhart loyalists and Douglas's supporters within the caucus. "I have news this morning," Collins wrote, "that a move, headed by the Edmonton members is under way to support you and oppose Aberhart..." With some prescience, he added, "I do not look for a real explosion until about twelve months from now."[90] Douglas continued intriguing against Aberhart and waited.

The second faction of dissident backbenchers consisted mainly of those dissatisfied by the government's cautious approach to building Alberta's economy. This faction might be labelled Alberta-first. Most of its members did not want to see outsiders develop Alberta industry. Some were more attuned to regional grievances. Some wanted the government to ignore constitutional limitations. Some wanted it directly involved in the economy; they wanted socialism. Many simply wanted it to take decisive action, to get things moving.

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[87] Ibid.

[88] *Edmonton Journal*, 21 July 1936

[89] Ibid., 8 June 1936, 20 July 1936, 21 July 1936

[90] Spencer papers, M1165, file 19, Collins to Douglas, 30 April 1936

The two factions of dissident backbenchers were not entirely separate. Some among the Alberta-first faction strongly believed in Douglas's monetary and conspiratorial theories. And many Douglasites were impatient to see the Alberta economy developed, but they did not want to see more bankers' money entering the province to finance development. Since capital expenditure for intermediary production was met through the creation of debt, outside capital would come in as additional debt.[91] Ansley, for instance, argued that, if it was absolutely necessary to import capital for intermediary production, then the province had to issue Alberta credit in an equal amount to finance such current expenditures as social services.[92]

Following its 1 April default, Aberhart's government kept looking for a solution to the province's debt problem. More bonds would be coming due and more defaults might be necessary. Ottawa finally admitted at the start of May that provincial hesitation regarding the requirement for loan council approval of future loans had been general and suggested such approval would only now be necessary if the loan involved a foreign country.[93] The change made little difference to Aberhart. In spite of the economy measures his government had taken, he claimed debt charges still created an annual deficit of some $5-6 million. An Alberta Consol proposal Aberhart made to King in May closely resembled the earlier stock issue proposal with the federal government guaranteeing the province's interest payments. The Consols were to have "no fixed date of maturity" so the federal guarantee would be "merely a nominal or psychological one and would, therefore, simply involve the guarantee of the interest payments." The provincial government wanted its payments to vary with ability to pay and, for its part, would guarantee funds against the interest payments and principal sum and promise not to borrow for five years.[94] Ottawa refused.[95]

Frustrations in developing a dividend program and restructuring the province's debt added importance to the government's efforts to make Alberta's economy self-sufficient. Exports policies played a lesser role in the government's thinking at this time than consumption and import substitution policies. Social Credit MLAs and cabinet ministers embarked on speaking tours urging the public to buy goods made in Alberta. Individual MLAs lobbied for the particular industries that would benefit their constituencies. Woolen mills were the enthusiasm of Mrs. Rogers, and her Ponoka constituency soon established a co-operative woolen mill. Mrs. Rogers was among the first shareholders. *Today and Tomorrow* regularly promoted import substitution, highlighting particular Alberta industries and companies and explaining how science could make up for the deficiencies in Alberta's resource base. Manning compared Alberta to a pail with two large holes. There was "no use pouring water in the pail until the holes were plugged." The government had partially plugged the first hole when it cut interest rates in half. The second hole would be plugged by industrializing Alberta.[96] Then the water, or credit, would remain and contribute to the enrichment of the province.

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[91] *TT*, 24 Sept. 1936

[92] Ibid., 8 Oct. 1936

[93] King papers, MG26J1, vol. 215, Dunning to Aberhart, 1 May 1936

[94] Ibid., vol. 213, Aberhart to King, 19 May 1936

[95] Ibid., vol. 215, Dunning to Aberhart, 27 May 1936

The government's intended role in industrializing Alberta had already been suggested in The Provincial Industries Development Act. In a speech in July 1936, Ernest Manning spelled out the three "methods" he believed were open to the government. The first would see the government assist in organizing local companies in which Albertans could invest. If this method worked it would provide employment and keep profits in Alberta. Capital was scarce in Alberta, however, and, since there was now little industry, securing capable men to run the companies was difficult. Manning rejected this method: "We are most anxious to protect our investors from the danger of failure through inexperience or inefficiency in this respect." The second method was to encourage large manufacturing concerns to set up branches in Alberta. Manning rejected this option as well: "All the manufacturing establishment would be is a branch of an outside corporation which means that its policy would be dictated and controlled by outside interests and all profits derived by processing our goods would leave the province. This is something we are most anxious to avoid."

The third method, Manning suggested, was contacting smaller, independent manufacturers in Eastern Canada and encouraging them to move to Alberta. This method earned the government's approval. "These men have had sufficient capital to establish their own manufacturing centres. They are at the present time engaged in the production of such lines of goods as we feel can be successfully handled here in Alberta. They are facing the terrific competition of the highly industrialized centres of the east and are finding it very difficult indeed in the face of such competition as is put up by the larger manufacturing concerns..." By coming to Alberta, they would "receive the advantage of being free from the high pressure competition of the more industrialized east" and they would be closer to both their raw products and the market in which they would sell. "We are quite confident," Manning concluded, "that when they are assured of government co-operation and the endorsation of the majority of our people ... a large number of them will see the advantage of establishing their firms in Alberta."[97] Manning, of course, had not even considered direct government participation in industry as an option. His preference for smaller operators who were having trouble competing in the heartland of Canada followed logically from the belief, first, that smaller businesses were failing, not because of their own inefficiencies, but because of the tactics of big business and Finance, and, second, that social credit economics could overcome competitive disadvantages. Aberhart was enthused by early responses from businesses and soon brashly predicted that the province would be industrialized at the rate of one factory per week.[98]

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[96] *TT*, 6 Aug. 1936

In May, federal MP P. J. Rowe discussed with Aberhart a plan that combined the introduction of social credit with the industrialization of the province. At the time, Rowe was acting as a go-between for J.A. Schryburt and Albert Grant, President of the Canadian affiliate of British Coal Distillation, Ltd. They proposed to build a low temperature carbonization plant in Alberta capable of producing 500 tons of briquetted fuel coal per day, in addition to valuable by-products such as naptha. In return, they asked the province to provide a $200,000 production loan in provincial prosperity bonds and to either guarantee a $600,000 loan or sell provincial securities in that amount. They promised to reinvest 75%

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[97] Dinning papers, 70.420, file 5, Manning broadcast, Edmonton, 19 July 1936

[98] Ibid., file 4, Aberhart broadcast, Calgary, 2 Aug. 1936

of the profits in Alberta in industrial enterprises approved by the government and to abide by Social Credit principles of just wages and just prices when they were in place.[99]

Rowe saw the coal scheme as an example of how Alberta credit could be backed with natural resources of the province. He outlined a full 10 point plan to Aberhart:

> 1. The operation of the Province as a separate Economic Unit.
> 2. Government supervision and control of all imports and exports to and from the Province.
> 3. The immediate establishing of a Provincial Medium of Exchange which would circualte [sic] as freely within the Province and be just as acceptable as Legal Tender.
> 4. The immediate industrialization of the Province to the full extent of desirable production.
> 5. Immediate steps for the extension of Alberta trade without the Province so as to build up an effective market for Alberta produce and products sufficient to provide the necessary credits for imports and capital obligations.
> 6. Effective steps to be taken so as to prevent the loss by foreclosure, seizure or otherwise of the farms, homes and chattels, during the transition period, so as to afford equitable protection to all citizens.
> 7. Immediate steps for the removal of slums, bad housing conditions and general want amongst the less fortunate of Alberta citizens.
> 8. Necessary regulation and control to assure just prices to the primary producers, fair wages to the workers and fair prices to the consumers.
> 9. A complete economic survey of the Province to be immediately instituted to determine the natural resources, available and potential productive capacity as well as the debt situation in the province as it affects the provincial government, municipalities and individuals.
> 10. Coincident with the organization and institution of the above, preparation for the payment of the dividends and the installation of the just price discount.

In its boldness, treatment of Alberta as if it were a sovereign nation, flouting of the constitution, and impatience for the introduction of social credit, Rowe's 10 point plan presaged some insurgents' proposals during the 1937 backbenchers' revolt. The plan sympathized with the position of the Alberta-first faction. According to Rowe, the key to the entire plan was industrialization. Some 87.5% of processed goods consumed in Alberta were imported, meaning Alberta could not control the prices of those goods.[100]

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[99] GAI, Social Credit Party papers, M1768, file 2, Alberta Grant to Aberhart, 9 June 1936; Ibid., file 2, Schryburt to W.N. Chant, minister of agriculture, 16 June 1936

Aberhart was very interested in Rowe's plan, though he eventually rejected it. The major problem in selling Alberta coal was the distance to the industrial markets in Ontario, where it had to compete with Nova Scotia and United States coal. Neither federal freight rate subventions nor the tariff charged on imported coal provided sufficient subsidies to make Alberta coal competitive.[101] Following discussions with Rowe, Grant and Schryburt, Aberhart unsuccessfully lobbied Ottawa for a freight rate decrease of $.50 per ton for coal and an increased federal subvention of $.50.[102] In Aberhart's mind, the drawbacks to the coal plan must have outweighed the potential advantages. Grant and Schryburt were apparently not offering any direct capital investment themselves. Their proposal, then, did not meet the statutory guidelines the government had set in its just-passed Provincial Industries Development Act. Furthermore, they asked for a guarantee greater than the amount authorized for all undertakings under the act. While there are indications that Aberhart may have considered the alternative of selling provincial securities to back the plant, he eventually decided otherwise. Rowe was bitterly disappointed by Aberhart's rejection and joined the growing number of dissidents who intrigued behind the scenes for his replacement.

While the government investigated ways to industrialize the province, it continued to advance its plans for codes. One observer wrote Mackenzie King that the government had "taken to Codes like a duck to water," largely due to the influence of Ernest Manning, "who is an idealist and who never has had any practical experience either in Government or business. He has set out to code everything and everybody, to regulate and license everybody."[103] As could be expected, the codes were running into stiff opposition from the province's business leaders. T. Eaton Co. Ltd., for instance, complained that the codes ignored that a loss leader in one store might not be in another due to different costs arising from the volume of business. The codes would help small businesses at the expense of large outlets, protect inefficient retailers, and require an enormous bureaucracy to enforce. Setting a minimum price was detrimental to the interests of the consumer since some retailers could sell below that price and still make a profit. Eaton's concluded that the codes would inevitably remove competition from business, thus favouring the creation of monopolies, higher prices, decreased consumption, and greater unemployment.[104] Such warnings did not deter Social Credit. The correctness of its understanding of price spreads appeared to be reinforced by the Turgeon Inquiry, which, in June 1936, reported exorbitant dividends earned by stockholders and directors in the textile industry.

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[100] GAI, Herbert E. Nichols papers, M900, f. 76, P.J. Rowe to R.M. Sherk, Secr. Treas., Zone 4, St. Paul Provincial Constituency, 15 March 1937

[101] The freight rate subventions helped Nova Scotia more. See Provincial Secretary papers, 71.441, box 16, file 29a, Manning to Blackmore, 28 Feb. 1936. For the year ending 31 March, the federal government income from tariffs on coal and coke imports was $8,500,000. In his study "Better Treatment for Nova Scotia" Norman Mcl. Rogers, later the Dominion Minister of Labour, computed the yearly per capita benefit of the tariff to Quebec at $11.03 and to Ontario $15.15, while Saskatchewan lost $28.16, Alberta, $26.93, and B.C., $22.33. Ibid., box 16, file 29a, Manning to Blackmore, 28 Feb. 1936

[102] King papers, MG26J1, vol. 213, Aberhart and various ministers to Honourable Premier and Members of the Federal Government, 19 May 1936

Having given up on immediate prospects of Douglas's assistance, the government had also finally begun to make progress towards a system for creating purchasing power. Constitutional limitations meant it had to look beyond its earlier hopes of legislating dividends based on non-negotiable certificates. By the beginning of the summer it had a trial program ready for the public and plans for instituting credit houses at the coming session of the legislature. The prosperity certificates it issued that summer were based on a combination of a scrip system the town of Raymond had used during the depression and Gesell's monetary theories, but they were also intended to fit into the government's other social credit plans.

As in many small towns in the depression, most of Raymond's citizens could not pay their local taxes. As a result the town had trouble even keeping its school open. It turned to scrip as a possible solution. According to the *Chronicle*, by calling the scrip a "credit document," Raymond had overcome clause 138 of the Bank Act. But it was the unity of the Raymond people that made their scrip experiment successful and seemed to attract Aberhart.

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[103] Ibid., vol. 215, R.J. Deachman to King, 6 April 1936

[104] Social Credit Party papers, M1768, Abbott & Auxier, Barristers, Solicitors & Notaries to Chant, 25 March 1936

The entire scheme rested on the faith of the people and their determination to overcome the town's problems. Raymond was Alberta in microcosm. It had been successful because the municipal government never issued scrip unless it was willing to take it back in payment of taxes or water bills. Teachers were also paid in scrip. "The credit was always . . . backed by goods and services,"[105] Raymond's equivalent to Alberta's natural resources. Raymond had paid its external market in cash, just as Social Credit planned for Alberta. The results, in the *Chronicle*'s glowing description, were phenomenal: bank debts were paid, taxes were paid, the trade of local merchants increased, and the schools stayed open.[106] All it took was faith.

There were obvious problems in applying the Raymond model to Alberta and that was where Gesell's theories became important. The government had been unable to accumulate any reserves of "foreign" exchange to purchase imports. It did not believe for a moment that the banks would accept its prosperity certificates,[107] and it doubted that the wholesale houses would accept them either. Under these circumstances, launching a full-scale scrip program could easily bring on a serious economic crisis. Gesell's theories suggested an alternative approach. Gesell called for a scrip system of depreciating value, with the scrip kept at par value by affixing a stamp to it each week. The idea was to encourage the circulation of currency, a concern Social Credit certainly shared. Social Credit's new interest in Gesell's theories came from E.S. Woodward, national executive secretary of the Free Economy League of Canada. Aberhart had hired Woodward as an advisor during the March session,[108] shortly before he let Magor go in response to the complaints of Douglas and the Social Credit caucus. As adapted for the prosperity certificates, the scrip would be taxed at the rate of 1% of its face value per week, with the tax to be paid by placing a stamp on the back of the scrip. To increase public and business confidence, the scrip would be backed by Canadian currency and the government promised the monies paid in for the stamps would not be used to reduce outstanding debts.[109]

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[105] *ASCC*, 31 Aug. 1934, 3 May 1935

[106] Ibid., 31 Aug. 1934

[107] *TT*, 18 June 1936

[108] Elliott and Miller, *Bible Bill*, 156-57, 239; Douglas, *Alberta Experiment*, 83-84

Though hardly social credit, the prosperity certificates still offered the government considerable scope for furthering its social credit plans. The government was fairly confident the certificates were constitutional.[110] Aberhart explained the prosperity certificates would accustom Albertans to using their own credit.[111] The next step would be to issue dividends in "Alberta" or social credit[112] and establish the credit houses. The certificates were, according to Manning, also a way for the government to carry on without borrowing from Finance's institutions.[113] *Today and Tomorrow* put it more succinctly: "The Social Credit way, we do not knuckle to a bank ..."[114] Minister without portfolio Lucien Maynard explained that if more certificates came back for redemption than there were dollars in the fund, the government would issue the difference through existing government services, such as increased relief payments. "Our position therefore will always be liquid"[115] Obviously, Maynard's "solution" could only work on a short term basis, but the government was very optimistic the certificates would prove popular and may have hoped they could later evolve into a substitute for Canadian currency within the province. It suggested that more prosperity certificates might be issued than were backed up by Canadian currency.[116] External transactions would continue to be paid in Canada funds. Finally, there was an undeniable humanitarian appeal since the certificates were to be issued to beef up relief allowances, largely in return for road work.[117] The prosperity certificates were issued on the 5th of August 1936 under the authority of two Orders-in-Council.[118] Aberhart was optimistic that Alberta was on the verge of a full social credit program.

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[109] See Maynard's comments in *TT*, 18 June 1936.

[110] See Lucien Maynard's comments in the *Edmonton Journal*, 8 June 1936 and 18 June 1936.

[111] PAA, R.J. Dinning papers, 70.420, file 4, Aberhart broadcast, Calgary, 19 July 1936; Ibid., file 4, Aberhart broadcast, Edmonton, 12 July 1936; Ibid., file 5, Manning broadcast, Calgary, 12 July 1936

[112] Ibid., file 5, Manning broadcast, Calgary, 28 June 1936; Ibid., file 4, Aberhart broadcast, Calgary, 2 Aug. 1936

[113] Ibid., file 5, Manning broadcast, Edmonton, 5 July 1936

[114] *TT*, 24 Sept. 1936

[115] Ibid., 2 July 1936. Also see Wetaskiwin MLA Wingblade's comments in Ibid., 24 Sept. 1936.

[116] Ibid., 18 June 1936

Although, in concept, the prosperity certificates were a fairly ingenious attempt to overcome the various roadblocks in Social Credit's way, popular support was not easily won. The public may have been troubled by the government's inconsistent announcements about its plans. Maynard, for instance, had claimed the certificates could be used to pay all provincial taxes (with the exception of liquor accounts),[119] much as the Raymond scrip had been applicable against town taxes. But the government changed its mind. If the public cashed the certificates in by paying taxes to the government, it would defeat the chances of substituting the certificates for Canadian currency. In practice, therefore, the certificates would only be applicable against the sales tax. Maynard had also claimed cabinet ministers would accept the certificates in partial payment of their salaries and many MLAs would likely accept them also.[120] Other cabinet ministers contradicted him. Most importantly, when the certificates were issued, the banks, some stores, and most wholesalers refused to accept them. The government had anticipated the possibility of these problems. Plans to bypass the banks by establishing credit houses were underway. The government hoped to avoid any problem at the retail and wholesale levels by encouraging the public to accept the certificates in change,[121] but public resentment of the stamp tax was soon evident. The certificates did not have the wholehearted support of all Social Credit MLAs either.

With discontent over the issue of the prosperity certificates mounting, rumours began to circulate in early August that Douglas had offered to come to Alberta to lead the anti-Aberhart faction of the caucus.[122] Aberhart vigorously counterattacked: "The Anti-Aberhart

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[117] Ibid., 2 July 1936

[118] The Orders-in-Council were 815/36 (11 June 1936) and 1085/36 (27 July 1936).

[119] *TT*, 18 June 1936

[120] Ibid.

[121] Dinning papers, 70.420, file 4, Aberhart broadcast, Edmonton, 12 July 1936

[122] Ibid., 4 Aug. 1936, 5 Aug. 1936

Association want Major Douglas. Some of the Douglasites have gone over to make arrangements for him to come when I'm ousted.. But ladies and gentlemen, if they do not make haste, we will have Social Credit introduced before he gets here. Probably the dear old chappie would like to come over after it is done..."[123]

The next major impediment to the government's plans was a court challenge to the prosperity certificates. Appraising what he assumed to be an assault directed by Finance, Aberhart declared: "Evidently the war is on."[124] He asked Albertans: "do you wish to cooperate in a live-and-let-live policy, or do you want the dog-eat-dog and the devil-take-the-hind-most scheme that we have under the present financial system?"[125] The government's choices seemed clear judging from an allusion he made a few days later to Christ throwing the money changers out of the temple:

> It was the only occasion in Christ's life that he ever used force. Isn't it peculiar that that should be? He always ruled by love up to that time, but he couldn't make a dint in the hearts or minds of these money-changers, and he had to make a definite forceful action to get them out, so he used a whip of cords. I might say to you, ladies and gentlemen, that can only be the one place in which ... your representatives in government would ever have to use compulsion... [A]ll the course of Social Credit will be purely voluntary, but when it comes to the point of extortion and exploitation and graft and greed and lust, there must be some power that will stop the man that won't listen to reason, and I say it may be necessary for us to use the whip of constitutional authority."[126]

Aberhart's perhaps unintended suggestion of violence was unfortunate. His extremism only reinforced the calls for more radical action from a growing number of backbenchers.

Aberhart could hope that the planned registration of Alberta citizens, which was conducted by the Social Credit groups under the authority of The Social Credit Measures Act, would help to eliminate some discontent within the party. Initially, the registration covenants were to determine how many and which citizens, farmers, and producers were ready to co-operate with the government. Another six covenants would follow for other economic groups.[127] Each covenant -- the term had obvious religious overtones of an agreement between God and man or among the members of a church -- was written in the form of a contract between the citizen and the government. Citizens pledged, among other things, "[t]o co-operate most heartily with the Alberta Government, and with my fellow citizens of the Province of Alberta in providing food, clothing and shelter for every one of us," and to accept Alberta credit as much as possible. They would "make no claim nor demand, at any time, for payment in Canadian Currency, of Alberta Credit," and they would not use Alberta credit to pay any taxes or fees to the provincial government. In addition to the latter two items, farmers and producers pledged, among other things, "[t]o cooperate with the Alberta Government in planning the supply of products required for the Province, and the prices at which they will be sold," a provision that was in line with public dictation of the policy of production. Farmers and producers would sell at least 50% of their products, over and above what they or their immediate dependents required "within Alberta for Alberta Credit, when called upon to do so, provided the price allowed is at least equal to the General Market Price." Finally, they would report promptly to the government their business transactions. Citizens could be disqualified or suspended from the benefits accruing under his or her registration through "1. Gross mis-statement of facts in application. 2. Absence from the province for a period over a month unless by the permission of the Manager Local Credit House approved by the General Superintendent. 3. Violation of any undertaking agreed in his covenant."

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[123] Dinning papers, 70.420, file 4, Aberhart broadcast, Edmonton, 9 Aug 1936

[124] Ibid., file 4, Aberhart broadcast, Edmonton, 9 Aug. 1936. Regarding the government's optimism, see Manning's comments in Ibid., file 5, Manning broadcast, Edmonton, 21 June [1936]; Ibid., file 5, Manning broadcast, Calgary, 28 June 1936.

[125] *TT*, 20 Aug. 1936

[126] Dunning papers, 70.420, file 4, Aberhart broadcast, Calgary, 23 Aug. 1936

The government, itself, covenanted to establish as soon as possible just prices, interest free loans (with a maximum of 2% charged as an administrative fee) for production or establishing a business, dividends for registered citizens, and bonuses to assist exports. It promised to increase the sale of Alberta products by issuing Alberta credit "primarily for use in purchasing Alberta-made goods, and products, and the payment of services rendered." It undertook to redeem Alberta credit with Canadian currency when possible "for the purpose of allowing the member to take up residence outside the province or for other essential requirements" or to help farmers and producers replace machinery. Additional promises to establish just wages and to provide interest free loans for home construction provide evidence of labour's continuing influence and a further broadening out of Social Credit's reform agenda. Finally, reflecting concerns about the rejection of Alberta credit at the wholesale level, the government promised to "organize feeding associations, commission merchants or other agencies for the purpose of exchanging for the producer his surplus products and importing goods not made here."[128] One underlying purpose of the registration Manning made clear -- it would give the government the production and consumption figures it needed to issue dividends and balance production with consumption.[129] At last, the government would have the survey results Douglas had rejected as unnecessary.

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[127] *Edmonton Journal*, 3 Sept. 1936

The second session of the 1936 legislature, which opened in late August, passed several acts that appeared to further the government's social credit plans and could, temporarily at least, quiet some of the dissident members of the caucus. To counter the court injunction against the prosperity certificates, the government brought in legislation legalizing the issue of up to $2 million in certificates.[130] The Alberta Credit House Act gave legislative backing for the registration procedure and authorized the establishment of an alternative system to the province's orthodox banks.[131] The principal function of the credit houses was to provide registered Albertans with credit facilities for the exchange of goods and services. They would distribute Alberta credit, receive deposits, transfer credit, and provide an administrative mechanism for the extraction of an unearned increment levy from prices. Under the Act, the Lieutenant-Governor-in-Council was given the power to decide the conditions of issue and the value of dividends, compensating discounts, and levies so as to balance consumption and production.

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[128] For copies of the covenants, see *TT*, 6 Aug. 1936. Also see Dinning papers, 70.420, file 5, Manning broadcast, Edmonton, 2 Aug 1936.

[129] *Edmonton Journal*, 3 Sept. 1936

[130] *Statutes of Alberta*, 1936, Session 2, chapter 4

[131] Ibid., 1936, Session 2, chapter 1

Plans for a just price were furthered by The Department of Trade and Industry Act, Amendment Act, 1936, (No.2), which empowered the Lieutenant-Governor-in-Council to create a price spreads board. The board, under ministerial direction, could investigate any business covered by the act and set maximum and minimum prices. Two sections of the act are worthy of particular attention. First, probably in response to business criticisms, maximum and minimum prices could vary from region to region of the province. Second, the act attempted to offset the costs of intermediary production when prices were fixed:

> In fixing and prescribing prices ... the Board shall not be under any duty to take into account any plant, equipment or other investment of any kind which in the opinion of the Board is not for the time being reasonably required for the purposes of the particular trade or industry under review or the capital represented by any such plant, equipment or investment and in case account is taken of any such plant, equipment, investment or capital the Board may allow a return thereon at such rate as the Board may in its discretion deem proper.

The maximum penalty for contravening the Board's orders, including maximum and minimum prices, upon conviction was $1000 plus costs per day.[132] The concept of just wages was furthered by the Hours of Work Act, which, according to Manning, gave the government "the necessary machinery to regulate the hours of employment in all industrial undertakings," and by the Male and Female Wage Act.[133]

The Provincial Securities Interest Act validated the government's Order-in-Council 734/36 of 30 May 1936. It cut interest rates retroactive to 1 June 1936 on all outstanding government-issued debentures, stock, treasury bills, and savings certificates and all debentures guaranteed by the province, except for the $7,400,000 Alberta and Great Waterways Railway Company debentures. Rates over 4% were cut in half and those under 4% were reduced to 2%. The act also prohibited legal action by security holders in Alberta's courts against the province and trustee or fiduciary holders of such securities.[134] The Municipal Securities

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[132] Ibid., 1936, Session 2, chapter 9. For Manning's comments on the act, see Dinning papers, 71.420, file 5, Manning broadcast, Calgary, 6 Sept. 1936.

[133] Ibid., file 5, Manning broadcast, Calgary, 6 Sept. 1936

[134] *Statutes of Alberta*, 1936, Session 2, chapter 11

Interest Act established a maximum payable by any municipality of 3% on any bond or debenture previously issued or entered into subsequently and likewise prohibited legal action.[135] To protect government members from legal reprisals, it passed the Judicature Act Amendment Act, 1936, which provided a blanket prohibition of legal action unless approved by the Lieutenant-Governor in Council if such action was against any member of the executive council or any person fulfilling the purpose of an Order-in-Council or statute of the Legislature.[136]

Social Credit also passed two tough debt bills, The Reduction and Settlement of Debts Act and The Debt Adjustment Act, 1936.[137] The two bills were the most extreme passed by the government in the second session. The first established limits on the payment of old debts. No interest would be payable on debts incurred before 1 July 1932 and any interest already paid would be applicable against the principal. The amount recoverable for debts incurred since that date was the principal plus simple interest to a maximum rate of 5% less all sums paid subsequently whether on interest or principal. The second act stipulated that any action to recover a debt due to default had to proceed through the Debt Adjustment Board, the decisions of which were final. It also gave the Lieutenant-Governor in Council the power to declare a moratorium on debt payments. R.E. Ansley explained one other feature of the legislation. It better protected the rights of local creditors in Alberta who were put on an equal footing with the banks and mortgage companies headquartered outside Alberta. Previously, as first mortgagees, the banks and mortgage companies had been protected under federal legislation while country merchants and local lenders who supplied farmers with the actual necessities of life had been unsecured creditors. Under the new legislation, the local creditors would receive equal treatment.[138]

The debt legislation probably originated in the demands of both factions of dissident backbenchers. Lucien Maynard, who was a leader of the Alberta-first faction, had tried to introduce a tougher debt bill in the February session but had failed.[139] According to Liberal MLA J.J. Bowlen, who wrote King in September urging the federal government to use its power of disallowance, Maynard had earlier forced Aberhart to give him a cabinet position and then he had forced the debt legislation in during the second session against the government's wishes.[140] Subsequent government attempts to amend the legislation were defeated by Maynard and the backbenchers.[141] Maynard, probably sensing that the radical legislation would be challenged in court, defended it as *intra vires* of the province's powers. He claimed that the Privy Council had ruled in cases of shared jurisdiction by the federal and provincial governments in favour of the government with rights over the main subject matter of the legislation, unless said legislation affected the rights of the other government substantially. In the case of this bill, he argued that federal government had rights over interest rates but the main subject matter of the contract dealt with under the legislation was the principal, which came under property and civil rights of the provinces.[142] The debt legislation also appealed to the Douglas faction. It provided sanctions against the banks and mortgage companies much as Douglas recommended. As Ansley pointed out, the bill would cut into the "spoils" of the mortgage companies and banks. "They will not be able to collect from six to twelve percent interest from a business which is making every effort to avoid bankruptcy. They will not be able to collect handsome profits on the usury of money while the other class of creditors, just as deserving, get nothing whatever." They would still be given a "very sporting chance" since they would be allowed to collect the principal even though, in some cases, they had already "collected the principal twice over in interest."[143]

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[135] Ibid., 1936, Session 2, chapter 12

[136] Ibid., 1936, Session 2, chapter 16

[137] Ibid., 1936, Session 2, chapter 2 and chapter 3

[138] *TT*, 24 Sept. 1936

In sum, the special session had enacted bills providing for the basic infrastructure of social credit. Dividends, just prices, production loans, unearned increment levies, and credit houses all seemed imminent. Although the prosperity certificate program was still in trouble, Alberta seemed to be on the verge of a social credit economy. Yet in a few short months, the government's plans lay in ruin and the dissident backbenchers were prepared to oust Aberhart and bring Douglas to Alberta.

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[139] King papers, MG26J1, vol. 213, J.J. Bowlen to King, 4 Sept. 1936; Ibid., vol. 215, R.J. Deachman to King, encl. "Alberta Legislature, Second Session, 1936 by G.H. Van Allen," 18 Sept. 1936

[140] Ibid., vol. 213, J.J. Bowlen to King, 4 Sept. 1936

[141] *Edmonton Journal*, 27 March 1937

[142] *TT*, 3 Sept. 1936

[143] R.E. Ansley in Ibid., 24 Sept. 1936

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Through the summer and fall of 1936, Aberhart and Manning tried to build public confidence in the government's social credit plans by rekindling the spirit of unity which had brought victory just one year earlier. While encouraging the use of the prosperity certificates instead of bankers' money, Aberhart asked, "What would you have thought at the time of the great war, when many of our very best men and young boys were being sacrificed, what would you have thought if a community of people had continued regularly to send finances to the enemy's headquarters so that they could blow your people to pieces when at the same time they said they hoped for victory. Preposterous, ridiculous, yet there are still those in the province of Alberta who fail to see that we are in a real fight for liberty as far reaching as was fought in the great war..."[144] Those who pretended to be "100% for co-operation" yet refused to take prosperity certificates in change were hypocritical bluffers,[145] not true Social Crediters.[146] The only way out of economic bondage was for Albertans to use their own credit.[147] Just as Raymond's scrip system had worked because the people had faith so the prosperity certificates could work if the people remained true. Manning emphasized: "if our people remain united in the interest and support of the common good, there is nothing impossible to them insofar as economic advantages are concerned. As we have so often repeated before, in the end, the issue really rests with them."[148] What was true of the prosperity certificates was equally true of the registration campaign. Aberhart recalled the

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[144] Dinning papers, 70.420, file 4, Aberhart broadcast, Calgary, 2 Aug. 1936

[145] Ibid., file 4, Aberhart broadcast, Edmonton, 6 Sept. 1936

[146] *TT*, 10 Sept. 1936

[147] Dinning papers, 70.420, file 4, Aberhart broadcast, Edmonton, 30 Aug. 1936; Ibid., file 4, Aberhart broadcast, Calgary, 22 Nov. 1936

[148] Ibid., file 5, Manning broadcast, Calgary, 28 June 1936

"fearful fight of the election," the struggle with the bondholders, and the "awful nightmare of the Douglas controversy" and challenged his listeners: "Now the final, and the greater dragon faces you. Are you afraid to register?" The covenants provided an opportunity "without bloodshed and suffering, to free ourselves from the bondage of the Golden Calf, and to provide ourselves with the necessities of life." To succeed, Albertans must co-operate, use the credit houses once they were created, and support Alberta industry.[149]

In their Sunday broadcasts, where Aberhart and Manning continued to weave social credit and Christianity together, the government's plans were given biblical sanction. Aberhart told a homely story, based partly on 4th verse of 5th chapter of James and partly on an illustration in the service program, in which "high hat hungry money-changing parasites" cheated honest workers labouring in a cabbage field by manipulating market prices, charging high interest rates, and foreclosing and selling assets. The solution to the labourers' problem did not lie in violent revolution. Rather, they had to destroy the germ from which the parasites hatched. The lesson had practical application in Alberta.

> If you people insist on using the money tools of the financiers they will continue devouring your cabbages ... Listen to me, the new social order upons [*sic*] whose threshold the people of Alberta stand to-day requires the ultimate elimination of all interest. The man who demands hugh [*sic*] charges for the use of credit must be removed from the field of cooperating, practical Christianity ... Usury charges are forbidden in the scriptures... Surely all Christian people must know that we cannot expect the blessing of an all merciful long suffering God if we persist in the interest racket.

Backing up his interpretation with further biblical passages, Aberhart then pointed out that the registration forms contained a provision for interest free loans. His government would eliminate the interest racket;[150] it would eliminate the germ, Finance.

The call for unity was also given biblical sanction. Co-operation and Christian fellowship were very similar, according to Manning. The Bible explained that fellowship came from knowing the truth, believing that truth was worth standing up for, and joining with others and standing "shoulder to shoulder to fight for that which you know is right." If Christians agreed about essentials but disagreed about details, they could still develop the spirit of Christian fellowship.[151] As was usually the trend in times of stress, Aberhart and Manning emphasized any-moment second coming. "You can already see the scenes - the stage of this world being prepared for the events the Bible says take place after Christ appears," Manning stated, "and surely that should indicate to you and to me that his appearance is getting very close."[152] Man's duty was to evangelize in the hopes of gathering new members for the "mystical body - new stones for the temple of God and then as [H]e gets them, [H]e fits them together... Rub off those rough corners of yours so that you will fit in close beside the other fellow in the things of life that we all have to face."[153]

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[149] Ibid., file 4, Aberhart broadcast, Calgary, 16 Aug. 1936. On the importance of co-operation, also see the article "Alberta's Social Credit Plan, an introduction to the Study Courses, by W.W. Cross" in *Alberta Social Credit Clarion*, Nov. 1936 (PAA, Cornelia Wood papers, 86.125, box 3, file 116).

[150] Dinning papers, 70.420, file 4, Aberhart broadcast, Edmonton, 30 Aug. 1936

In spite of the government's all-out campaign to get the public to accept prosperity certificates, however, by late September it had redeemed $144,000 of the $240,000 originally issued in certificates. Of this, it reissued only $20,000.[154] Wholesalers and manufacturers belonging to the Edmonton Chamber of Commerce, Calgary Board of Trade, Lethbridge Board of Trade, Red Deer Board of Trade, Medicine Hat Chamber of Commerce, and the Canadian Manufacturers' Association Alberta Branch all refused to take the certificates.[155] The prosperity certificates were destined to go down in history as Aberhart's "funny money" scheme -- the quintessential evidence of the government's incompetence.

Other government programs were more popular. Over 360,000 Albertans or 70% of the voting population registered.[156] The implications of the powers the government would acquire over its citizens through the registration, however, horrified many Albertans. The province's major newspapers launched attacks charging the government with authoritarian, communist tendencies. Through the fall and winter, Aberhart repeatedly denied that Social Credit was in any way communistic.[157] His ingenuous claim that registration was voluntary did little to calm fears. The debt bills were also popular with much of the public, but they were strongly attacked by business.[158]

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[151] Ibid., file 5, Manning broadcast, Edmonton, 21 June 193[6]

[152] Ibid., file 5, Manning broadcast, Edmonton, 2 Aug. 1936

[153] Ibid., file 5, Manning broadcast, Calgary, 28 June 1936; Ibid., file 5, Manning broadcast, Edmonton, 21 June 193[6]

[154] *TT*, 24 Sept. 1936

[155] Ibid., 18 March 1937

[156] W.W. Cross in Ibid., 1 April 1937; Howard and Tamara Palmer, *Alberta*, 270

As the failure of the prosperity certificates became evident, Aberhart and Manning increasingly articulated a policy of gradual progress towards social credit. Douglas's writings and in particular his scheme for Scotland envisioned a transition period during which social credit and orthodox institutions would co-exist. Aberhart's election promises had envisioned a rapid, legislated transition to social credit, yet in his advocacy of lawful actions and his claims that existing systems would not be disrupted there had always been a suggestion of more moderate change. Compared to the bombast of his election speeches, once he became premier Aberhart had counselled moderation. He hoped to avoid provoking finance and the federal government. Shortly after the election victory, Manning had promised: "We are not contemplating any radical changes. We will be making adjustments as we go along. We will go ahead with our aggressive ideas by [sic] we won't do anything rash."[159] In part, of course, both Aberhart and Manning were just trying to allay public fears, but, in part, Alberta Social Credit had always insisted that the people would dictate the rate of change to social credit. When it had introduced the prosperity certificate program, it had promised that any issue of the certificates beyond a one-to-one ratio to Canadian currency would "depend entirely on the extent of the cooperation we receive from the people of the Province."[160] Manning's fear then was not that the government would lag behind but that the people would slow down progress to social credit.

It seems to me the best advice we can give to our people at the present time

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[157] *TT*, 15 Oct. 1936, 22 Oct. 1936, 12 Nov. 1936, 7 Jan. 1937

[158] See the representations of the Alberta Wholesale Implement Dealers Association, the Dominion Mortgage and Investment Association, the CPR, and the Canadian Bankers to the Agricultural Committee meeting of 1 Sept. 1936 in Ibid., 19 Nov. 1936 to 17 Dec. 1936.

[159] *ASCC*, 11 Oct. 1935

[160] *TT*, 18 June 1936

> is to be sure you don't make Israel's mistake. You know Israel had lost their nerve and they ran up against that kind of a proposition and they lost their nerve and as a result they wasted 40 years in the wilderness. It seems to me if somebody had said to Moses, "how long do you think it would take to walk to the promised land?" I think the old fellow would have said: "Oh, I think I can do it in about three months." "Well, why didn't you do it?" "Well, you see, I couldn't go any faster than the people were prepared to follow" and it took him 40 years. It seems to me that's the best advice we can give to our people today. We are following a new pathway and yet the barriers are similar to what the people have had to encounter all down the years. Let's not make the mistake of some of those who have gone before us.

The "promised land is now on the horizon," Manning prophesied, "and I am wondering this afternoon ... how much longer is it going to take before we enter into the land of promise... I realize, ladies and gentlemen, that you alone are in a position to answer that question. It is up to you."[161] Only the people could free themselves from the money monopolists. All the government could do was provide them with the opportunity. The same point was made during the registration campaign. According to Aberhart, the government could plan for the establishment of the credit houses and the institution of social credit, but "unless our people learn to use our own credit there is no hope of ever delivering them from economic bondage. The present financial setup will not allow it."[162] When it became evident that the people were not rejecting the tools of the money monopolists for the prosperity certificates, Manning suggested social credit would not come in with a bang; rather, social credit and the existing financial system would work side by side with the former gradually displacing the latter.[163] In late fall, when the prosperity certificate program lay crumpled in ruins, Aberhart continued to insist that it was up to Albertans to use their own credit if they wanted to free themselves from the money-monopolists.[164] There was more to this insistence than the hope of salvaging his government's plans from ruin — such ideas reflected Aberhart's and Manning's commitment to democracy and their religious beliefs. They could evangelize, but each individual had to be free to find the faith to be saved.

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[161] Dinning papers, 70.420, file 4, Aberhart broadcast, Calgary, 23 Aug. 1936. Manning spoke during the same address.

[162] Ibid., file 4, Aberhart broadcast, Edmonton, 30 Aug. 1936

[163] *Edmonton Journal*, 3 Sept. 1936

[164] Dinning papers, 70.420, file 4, Aberhart broadcast, Calgary, 22 Nov. 1936

Aberhart's attitude to the press constituted the one major exception to his policy of gradualism. He deeply resented the press's attacks, particularly when they were personal in nature. His anger was directed primarily at the *Calgary Herald* which was owned by "foreign" capital and was, in Aberhart's mind, linked to the campaign of Finance and the Antichrist. Alluding to papers like the *Herald* in one Sunday broadcast in August 1936, Aberhart charged: "The hand is a hairy hand - the hand of a destroyer. The voice of Jacob - the deceiver. Some no doubt will be deceived."[165] He began to threaten that something would have to be done "to curb the mad dog operations" of certain newspapers. Licensing newspapers might be the answer.[166] When the *Herald* objected to the suggestion of licensing, Manning observed "the law holds no terror for a righteous man."[167]

Through the fall of 1936, Social Credit became more and more incensed with newspapers like the *Financial Post, Edmonton Journal, Calgary Herald* and even the *Canadian Magazine.* Aberhart continued to hint that these "paid organs of finance"[168] would have to be licensed to safeguard the public.[169] His attacks encouraged the very extremism within Social Credit that his policy of gradualism was trying to prevent.

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[165] Ibid., file 4, Aberhart broadcast, Edmonton, 9 Aug. 1936. Aberhart singled out the *Herald* partly because of the satiric cartoons of Stewart Cameron. Cameron's often brilliant cartoons are justifiably well-known, but they usually depicted Aberhart as ignorant and, by this time, fascist. On Cameron's cartoons, see Elliott and Miller, *Bible Bill* and Beverly Rasporich, "Alberta Cartoonists Stewart Cameron and Everett Soop: Cowboys, Indians, and Political Protest," *Alberta* 2:1(1990), 16-34. Cameron's pre-election cartoons, though less mentioned, were racist depictions of a black Aberhart and Manning exchanging misinformation in pidgin english. For Cameron's racist cartoons, see "The Amos and Andy of Social Credit," Lymburn papers, 70.158, file 53 and for his later cartoons, see Ibid., file 53, "No Matter How Thin You Slice It, 63 Cartoons by S. Cameron."

[166] Dinning papers, 70.420, file 4, Aberhart Broadcast, Calgary, 13 Sept. 1936

[167] Ibid., file 5, Manning broadcast, Calgary, 20 Sept. 1936

[168] *TT,* 19 Nov. 1936. Regarding Social Credit's increasingly hostile reaction to the press through the fall of 1936, see Ibid., 1 Oct. 1936, 22 Oct. 1936, 12 Nov. 1936, and 19 Nov. 1936.

[169] Ibid., 22 Oct. 1936

In contrast, the government's attitude to capitalism continued to moderate. Through the fall of 1936, official denials of the repeated newspaper charges of communistic intentions arising mainly from the registration program gradually led Social Credit to articulate a stronger support for individual enterprise. The most obvious example can be found in an article by H. E. Carran, a regular contributor to *Today and Tomorrow*. In dealing with the charge of communistic intent, Carran was forced to examine the difference between capitalists and financiers. Social Credit could work "equally well under either communistic or private ownership of the means of production," Carran reasoned, but Albertans believed in private ownership and had turned to Social Credit in defence of private ownership.

> Possibly some confusion may arise from the loose use of the words "Capitalist" and "Financier." The word "Capitalist" is often used to describe the enormously rich man who, through his riches, wields vast power in the industrial world. The great opponent of Capitalism is, of course, Communism and if Social Credit is said to oppose the capitalist the uninformed person will naturally think that Social Credit is conected [*sic*] in some way with Communism.

It was necessary to differentiate between the capitalist who has a right to private ownership and who employs capital for productive purposes and the financier who "employs capital for the purposes of controlling industry." Carran concluded: "Let us encourage Capitalism and Capitalists, great and small, by every means in our power. But let us abolish the 'Financier'. He is Social Credit's Public enemy No. 1."[170] This was but one of many attempts by Social Credit to clarify its attitude towards capitalism. Carran recognized, as Douglas, himself, had admitted in his letter to Collins, that social credit and socialism were not necessarily incompatible. It was up to the experts to decide what methods would be used to achieve the results demanded by the people. In terms of his encouragement of capitalism, however, Carran was not representative of most Social Crediters. Although government and party rhetoric about capitalism was changing, policies that aimed at diminishing the role of competitive enterprise through public control over production and the end of market place determination of prices remained.

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[170] Ibid., 15 Oct. 1936

It would be tempting but incorrect to think that, in favouring gradualism, Aberhart and Manning were looking for a face-saving way to renounce the struggle for social credit. At times, admittedly, there was a note of despair in Aberhart's speeches. In mid-October, in a speech at Coronation, while complaining about lack of co-operation, he warned, "I may have to throw up my hands and say I can do nothing for you."[171] His government, however, was as busy as ever trying to figure out new ways to fulfil its promise to bring social credit to Alberta. When the banks refused to accept prosperity certificates, Manning readied plans to place credit houses in the various constituencies to take the place of the banks. When the public would not accept the prosperity certificates, the government distanced itself from that mistake, pointed out the certificates had been an interim measure and talked about Alberta credit, which would come next when the dividends were paid. When the wholesalers would not accept the prosperity certificates, the government planned ways of circumventing the wholesale houses.

The government was reducing the province's dependence on the wholesale houses by industrializing Alberta and encouraging the consumption of Alberta-made goods.[172] It also looked at the possibility of diversifying the economy by enlarging the effective size of the economic unit and at changing trade policies. In typical booster fashion, Aberhart suggested that new development in the Peace and Smoky valleys might supply all Alberta with fruits and vegetables if a cannery was established there.[173] If British Columbia became a single economic unit with Alberta, it would be virtually self-sufficient.[174] Alberta's reliance on the wholesale houses and its need for "foreign" currency might both be decreased if the government could find trading partners who were willing to exchange goods without money. The government began to approach Alberta's trade partners about bartering for goods.[175]

The government also began to investigate the possibility of establishing a separate social credit wholesale network. When problems with wholesalers rejecting prosperity certificates developed in September, Aberhart warned that his government was considering alternatives:

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[171] *Edmonton Journal*, 27 March 1937

[172] *TT*, 10 Sept. 1936, 2 Oct. 1936, 17 Dec. 1936

[173] Dinning papers, 70.420, file 4, Aberhart Broadcast, Calgary, 13 Sept. 1936

[174] Ibid., file 4, Aberhart broadcast, Calgary, 23 Aug. 1936

[175] Ibid., file 4, Aberhart broadcast, Calgary, 2 Aug. 1936; *TT*, 20 Aug. 1936

> There are a few [wholesalers] who are ready to unite with us in our endeavor but we are rather discouraged with the others. You see many of them not only refuse to co-operate themselves but they try to prevent others of their members from trying to co-operate with us. That's hardly fair and we are disappointed with them. We can do nothing but go on without them. The fact of the matter is that there has been some discussion in days gone by and it is revived today, whether the wholesaler is a real necessity in our great scheme of distribution. Wholesalers sprang into existence to maintain the individualism of the retailer. When retailers combine to co-operate, the need of many wholesalers is thereby removed.[176]

The idea of a separate wholesale system won considerable grass roots support,[177] though there were obvious constitutional questions that had to be addressed. In late November, Aberhart again cautioned that a gradual approach was needed: "I am satisfied that if we give our people good honest government and press on with vigor without burning ourselves out, the people will give us time to complete the establishment of a new distribution system, involving if necessary, dividends for all."[178]

Aberhart's new hesitancy about the dividends, hinted at in the above statement, resulted from his increasing pessimism about winning public support for his government's plans. Efforts to establish credit houses and to issue Alberta credit were undermined in various ways through the fall of 1936. According to health minister W.W. Cross, Manning had almost completed plans for starting credit houses in every constituency when he began to receive complaints from producers, processors, and manufacturers whose bankers had indicated they would not accept Alberta credit. It was at about this time that Manning fell ill. Cross, who took his place, faced the same problem. The government concluded that it had to find some way of backing Alberta credit -- preferably with the province's natural resources -- in order to create public confidence.[179] The credit houses were put on hold. Cross's explanation was self-serving in some respects. The government's intention of creating credit houses and issuing Alberta credit was also affected by the public's refusal to use prosperity certificates. The public's refusal to accept this temporary means of accessing its own credit probably made the government more sensitive to public doubts about Alberta credit. With the credit houses delayed, plans to use the registration covenants to acquire data about production and consumption seemed premature and faltered. Perhaps most importantly, the government was still determined to respect the constitution, and there was no reason to think that it had the legal right to issue Alberta credit.

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[176] Dinning papers, 70.420, file 4, Aberhart broadcast, Edmonton, 6 Sept. 1936

[177] See the coverage of the Pembina constituency convention, the Wetaskiwin Divisional conference and the Saskatchewan North conference in *TT*, 10 Dec. 1939, 31 Dec. 1936, 7 Jan. 1936.

[178] Dinning papers, 70.420, file 4, Aberhart broadcast, Edmonton, 29 Nov. 1936

Pessimism about introducing social credit in the near future also increased as a result of the growing unpopularity of the government's code system for establishing just prices. In the government's plans, the codes were essential to extracting excess profits from price spreads, recovering the dividends once they were issued, and equating production and consumption. To the government's dismay, though, grass roots pressures to have the codes scrapped built through the late months of 1936 as Social Credit prepared for its first ever provincial convention early in the new year.[180] The codes were now directly attacked by the Douglas faction of dissident backbenchers. Future insurgent Ansley claimed, according to *Today and Tomorrow*, that he "wasn't interested in Codes and other side issues. Codes might be found of some use in the transition period, but he was certain they would serve no useful purpose when the full principles of Social Credit were established. At the present time, in any case, they were wholly premature, because they were increasing prices to consumers before these consumers had received any new purchasing power."[181]

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With the apparent failure of so many of the government's plans by the close of 1936,

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[179] *TT*, 1 April 1937. The paper masthead mistakenly carries the date 2 April; the speech was delivered during the 1937 session.

[180] *Edmonton Journal*, 30 Dec. 1936; *TT*, 7 Jan. 1937

[181] Ibid., 31 Dec. 1936

Aberhart faced enormous pressure within the caucus and party to take more decisive action toward implementing social credit. His government had endorsed gradualism. The transition to social credit would be peaceful. The people would determine the pace of the change. Canada's constitution would be respected. All that was fine and had thus far earned at least the grudging support of a majority of the caucus, but the government had yet to establish a way of implementing social credit in a gradual, incremental fashion. The prosperity certificates were a dead letter. The credit houses were on hold. No survey of production and consumption had been completed. There was no reserve of "foreign" currency. Alberta credit seemed stalemated by constitutional difficulties. The codes were unpopular. And the government's only response to these problems seemed to be to urge gradual, peaceful change and to tinker with the programs that had already failed in hopes of resurrecting them. Then John Hargrave arrived in Edmonton.

Hargrave was the leader of Britain's Green Shirts, a direct action, quasi-military organization that had run candidates under the Social Credit banner in Britain's 1935 election. On his arrival in Edmonton in December 1936, he ingratiated himself with the dissidents in caucus. Aberhart's question to Hargrave at their first meeting -- "If I issue a dividend, how do I get it back?" -- has been cited as evidence of Aberhart's failure to understand the creation of money.[182] Given the apparent failure of the codes, Aberhart's question was instead almost certainly aimed at discovering an alternative for retrieving the dividend after it was issued. Hargrave soon joined cabinet ministers W.W. Cross, Lucien Maynard, and W.A. Fallow and backbencher R.E. Ansley as members of a committee charged with devising a new plan for implementing social credit in Alberta.

The committee's radical 11 point plan, which was ready in early January 1937, was a compromise between the two factions of dissident backbenchers with slight attention to the government's more moderate guiding principles. It resembled Rowe's plan of the previous May in some respects, though in emphasizing industrialization less and social credit more it revealed the growing influence of the Douglasite faction among the backbenchers.

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[182] Elliott, for instance, suggests the meaning of Aberhart's question was "Where, in other words, would all the money come from?" (*Bible Bill*, 252).

Constitutional considerations were ignored. The government was to issue debt-free money negotiable within Alberta, set up credit houses that would function much as banks did, and establish a separate import-export network. Tougher debt legislation, a government propaganda bureau, and traditional social credit measures such as price discounts, interest-free loans, and dividends starting at $5 were all endorsed. A stronger measure of compulsion was to replace government calls for co-operation. The *Edmonton Journal* reported one plank as stating: "Alberta money would be acceptable by law forcing men and women to accept it for debts on penalty of the debts being liquidated to the amount offered." The implication, of course, was that bank debts could be paid in Alberta credit. Another plank combined the fear that industrialization would further Finance's control over Alberta with traditional regional concerns about exploitation by outside capital in calling for: "Preservation of the natural resources of Alberta by setting aside an area which could be developed through a Social Credit financial system and not by outside capital."[183]

Caucus reactions to the committee's plan revealed the changing divisions within Social Credit.[184] Both factions of dissidents believed the time for radicalism had arrived. Together, they now outnumbered the Aberhart loyalists. The plan was endorsed by a majority of caucus in early January. The prediction by Ansley that the plan would be followed by drastic legislation in the coming session of the legislature was quickly contradicted by Aberhart.[185]

The Hargrave plan was front and centre as Social Credit entered its first ever provincial convention. It was hardly a scene of triumph for Aberhart. He had to make concessions to those who opposed the codes. He announced that individual industrial codes and five service codes would not be enforced. Retail and wholesale master codes were to remain in effect, however, including those affecting such "unethical" practices as loss leaders.[186] What Social Credit might erect in the place of the failed codes was not clear. Aberhart continued to urge caution on the movement he had created. In response to the backbencher's wishes that the government take dramatic steps, he stated: "We can only go as fast as the people can stand -- you must remember that."[187] Hargrave probably sensed that his time had arrived. He directly attacked the government, claiming its scrip issue and registration covenants of the previous summer had nothing to do with social credit,[188] called for drastic action, and charged that the government was groping its way "like a man stumbling along on a pitch black night."[189]

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[183] *Edmonton Journal*, 6 Jan. 1937

[184] A similar point is made in Elliott and Miller, *Bible Bill*, 253-54.

[185] *Edmonton Journal*, 30 Dec. 1936, 31 Dec. 1936

[186] Ibid., 15 Jan. 1936

After due consideration, Aberhart and his government rejected Hargrave's plan, condemned Hargrave as an irresponsible egoist, and implied he might be acting at the behest of an "undisclosed medium" seeking to obstruct Social Credit.[190] W.W. Cross later explained the government's objections. "The whole thing in that plan depended on one thing and that was the government putting through an act to set up a board, and that board should have authority to force production of all bills of lading and to control all exports." The board would pay cash for imports ($62 million in 1935) and pay Alberta credit for exports ($117 million in 1935). The creditors outside the province would be paid in goods Alberta had in abundance, like lumber and coal. "The board would have had $55,000,000 in cash to their credit. It was a good plan. The caucus went away satisfied. We were satisfied, but we took it up with every constitutional authority that we could find in this province, with every one that we could contact and they told us 100 per cent that this province had no authority to interfere with exports and that ended it. We could not go any further."[191] Following the rejection of his plan, Hargrave remained a few more days, spreading dissension. On 25 January, after repudiating the government, he breezily departed.[192] At the time, Socred MLA G. L. MacLachlan captured the basic division now remaining within the caucus: "[U]p to the present the Alberta government has failed in its objective because the members of the government were idealists and had assumed that all men were idealists, ready to make individual sacrifice if necessary in co-operating for the good of the community." He suggested Social Credit had discovered its mistake. The Hargrave-Maynard-Cross-Fallow plan approved by the caucus "will cause co-operation to be unanimous."[193]

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[187] Ibid., 14 Jan. 1937

[188] See the summary of events leading up to the backbenchers' revolt in Ibid., 27 March 1937.

[189] *TT*, 21 Jan. 1937, 28 Jan. 1937

[190] Ibid., 28 Jan. 1937

[191] Ibid., 1 April 1937

[192] *Edmonton Journal*, 27 March 1937

In the heat of the moment, it may have been temporarily lost on many of the backbenchers that Douglas, who had earlier split with Hargrave in England, rejected Hargrave's plan for implementing social credit in Alberta. According to Douglas, the plan was premature since Alberta did not have control over the issuance of credit.[194] In other words, Hargrave had made Aberhart's mistake. He had failed to understand that the essential first stage in the only strategy Douglas would countenance at this time was to challenge Finance's monopoly over credit creation and prepare for the battle that would inevitably ensue.

Hargrave had unintentionally unified the two basic dissident factions within Social Credit. Regardless of faction, all dissidents now agreed on the need for dramatic, radical action. In spite of the government's rejection of Hargrave's 11 point plan, more and more future insurgents demanded far-reaching, compulsory measures regardless of constitutional implications. In referring to those who would not co-operate, N.B. James suggested, "if it comes down to it, if we have to, we'll make these people co-operate or get out of the province!"[195] J.H. Unwin demanded compulsory measures. After all, under the existing system there was compulsion requiring single men to work on farms or be struck off relief; families were compelled to exist on less than they needed to sustain them; primary producers were compelled to pay high interest rates and high taxes; old age pensioners were compelled to live on $20 per month; and, the tariff system compelled Westerners to pay exorbitant sums to protect Eastern manufacturers.[196]

In the weeks leading up to the convention, Social Credit groups had also issued new calls for licensing the press. The major papers were alarmed.[197] Briefly, the *Journal's* coverage of Aberhart moderated, perhaps in recognition of his importance if the draconian measures called for by the backbenchers were to be blocked.[198] It observed that Aberhart had always promised the people would be free to decide if they wanted to co-operate with the government in its social credit proposals. If the government had done an about-face it should let the people know.[199]

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[193] Ibid., 25 Jan. 1937

[194] Ibid., 16 Jan. 1937

[195] Ibid., 3 Feb. 1937

[196] *TT*, 4 Feb. 1937

Under these various pressures, the cabinet had for some time seemed on the verge of disintegration. Manning was still sick. Lands and mines minister Ross had resigned in late December, apparently due to ill health. He was replaced by N.E. Tanner. Through early January, rumours circulated that provincial treasurer Cockroft, agriculture minister Chant, and attorney general Hugill were all about to quit or be fired by Aberhart. Cockroft resigned in late January and was replaced by Solon Low.[200] In late January Aberhart elevated Maynard from minister without portfolio to minister of municipal affairs. Aberhart may have promoted Maynard to placate the Alberta-first dissidents. If so, he chose well. Although rumoured to be the leader of the "left wing" within caucus,[201] Maynard, perhaps owing to his Roman Catholic background, usually advocated moderation and respect for the law.[202] Liberal MLA Gerald O'Connor claimed the resignations of Ross and Cockroft were both the result of

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[197] *Edmonton Journal* editorials attacking the licensing of the press started on 22 Dec. 1936.

[198] The convention tabled a motion that called for the licensing of the press, according to the *Journal*, because of pressure from small town editors who were delegates (Ibid., 15 Jan. 1937).

[199] Ibid., 25 Jan. 1937

[200] Cockroft later told his constituents that he left because Aberhart wanted to invest the province's Sinking Fund in doubtful projects, (Elliott and Miller, *Bible Bill*, 255) no doubt a reference to Rowe's coal project. Whether Cockroft's claim was true is unclear. The government later attacked P.J. Rowe, claiming it had ceased to be interested in his coal processing plan when it realized that Rowe was asking it to use trust monies from the sinking fund to finance the plant. See Lucien Maynard's response to Rowe in *TT*, 3 June 1937.

[201] Ibid., 7 Jan. 1937

[202] See Maynard's comments about the dangers of going too fast in Ibid., 2 July 1936.

Maynard's elevation within the cabinet.[203]

With these few band-aids slapped over the gashes in his government and a determination to remain within the limits of the constitution, Aberhart prepared for the legislative session planned for late February. With the help of two Social Credit MPs, new plans were drafted that would see Alberta credit backed by the province's resources.[204] The government prepared to amend its codes legislation and discussed the establishment of an independent wholesale network. Then new problems arose. Federal MP P. J. Rowe, still bitter about the failure of his coal development plans, attacked Aberhart publicly. He was ousted from the federal caucus.[205] On 19 February, the Reduction and Settlement of Debts Act and the Provincial Securities Act were ruled *ultra vires.* The backbenchers were inflamed. Surely the time for radical action had arrived. Aberhart tried to re-capture the initiative by declaring a 60 day moratorium on debts incurred before 1 January 1936, supposedly to stop a rush of foreclosures. According to *Today and Tomorrow*, he was also expected to appeal the rulings and to try to use the province's constitutional authority to reduce the principal owing on public and private debts by as much as 50 to 75%.[206] In the background, Douglas waited.

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[203] *Edmonton Journal*, 5 Feb. 1937

[204] See Cross's comments in *TT*, 1 April 1937.

[205] Ibid., 25 Feb. 1937

[206] Ibid., 25 Feb. 1937

Chapter Six

FROM THE BACKBENCHERS' REVOLT
TO THE INTERIM PROGRAM COMPROMISE:
THE FAILURE OF DOUGLAS'S STRATEGY

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The path Alberta Social Credit marched confidently down in August 1935 had become oppressively narrow by the time of the February 1937 session of the legislature. Constitutional blockages and Aberhart's disputes with Douglas had halted crucial pieces of legislation. The encouragement of Alberta industry was popular, but progress was slow. Organized business was alarmed by the licensing and codes legislation; the general public was disenchanted by the prosperity certificate fiasco. Supporters wanted the immediate introduction of social credit. In spite of the growing impatience of the public and many Socred MLAs, though, Aberhart rejected demands for more radical action, refused to defy the constitution, and talked of slow, measured incremental change to establish a solid foundation for the erection of a social credit economy. The government's inability to establish a viable strategy of gradualism was manifest. The backbenchers' revolt during the 1937 session was the result.

During the revolt, the backbenchers made Aberhart relinquish control over the introduction of social credit. They passed a new social credit act creating a Social Credit Board which then sought Douglas's help. Douglas agreed to send two technicians to Alberta, L.D. Byrne and George Powell, and, under their tutelage, more of Douglas's ideas were inculcated in the government and caucus. Douglas's strategy finally took precedence over Aberhart's and the government's efforts were re-directed to attacks on Finance. To make sure the cabinet and MLAs acquired a proper understanding of their role in these attacks, Powell and Byrne provided formal instruction in social dynamics.

Unfortunately, social dynamics has been all but ignored by scholars. For that reason, it will be dealt with in some detail here, before the backbenchers' revolt is discussed. Macpherson and Laycock have dealt extensively with Douglas's political theory yet neither examines social dynamics. The lack of attention is perhaps understandable. At first glance, social dynamics appears to have been largely a recapitulation of Douglas's earlier economic and political theory with an extra veneer of sociological rhetoric added. Yet, in many respects, social dynamics was Douglas's response to Aberhart's election victory. Douglas apparently recognized that, to fulfil the potential Aberhart's victory had demonstrated for using the electoral system to mobilize public opinion, he had to articulate more clearly the roles of the elector and the elected representative and the checks and balances that would prevent an authoritarian government from developing. Social dynamics laid greater stress on individualism. It provides one example of the theoretical link between Douglas's earlier writings, with their emphasis on the will of the people, and his later views, with their extreme emphasis on individualism and rejection of such measures as the secret ballot.[1] Consequently, though Macpherson's treatment of Douglas's political theory is generally accurate, he misses this transitional phase in Douglas's thinking. Laycock's treatment is less reliable.[2]

Social dynamics was defined as "the science which enables those who serve THE

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[1] Many of the basics of social dynamics can be found in Byrne's and Powell's speeches from the summer and fall of 1937 carried in *Today and Tomorrow*. Byrne and Powell instructed the cabinet and MLAs in social dynamics during this period. The most complete archival source, however, is the lecture course on social dynamics given mainly by Byrne (due to Powell's incarceration) in early 1938 (Nichols papers, M900, file 77, Provincial Credit Commission, Educational Section, "Lecture and Study Course on Social Dynamics," January 1938).

[2] Laycock does not recognize Douglas's influence on many of Alberta Social Credit's ideas, from decentralization, anti-partyism, and the bondholder state to the discourse on co-operation (*Populism and Democratic Thought*, 214, 240-41, 259). He largely ignores the impact that both Aberhart's quarrels with Douglas and the backbenchers' revolt had on Alberta Social Credit's official ideology. Thus, he views Aberhart's "conferral of sweeping powers on the Social Credit Board" as "evidence of his having taken advantage of the openendedness of the authorization inherent in the 1935 election (234)." He also consistently states that Douglas thought the people were incompetent to decide questions of policy (224-27, 264). Of course, the opposite was true. It is possible that Laycock simply substituted "policy" for "methods," though the end result is confusing. Both Macpherson and Laycock appear to assume that, in application, Douglas's theory called for candidates for office to place essentially meaningless propositions before the people at election time. In fact, the candidates were mainly to avoid placing propositions before the people. They were to ask the people what results they wanted, although, admittedly, they were to help clarify the choices available.

PEOPLE in any area to learn from them what they want in the order of precedence in which they want it."[3] Although the scientific principles of organization had been known for years, according to Byrne, they had only been developed into a science recently by Major C.H. Douglas. As with social credit, a proper explanation of social dynamics began with the origins of civilization. According to Byrne, Douglas's study led him to conclude that individuals entered into association to gain an objective. All human associations were established for a purpose.[4] He reasoned that the first social group came together out of a belief that greater security in food supplies and greater individual freedom could be attained through association. The same belief that individual members of society acting in association could get what they wanted was the basis of all social life. He referred to this "natural law" as the credit of society or "social credit." Social credit, then, was not a nostrum, a scheme, a political party doctrine, or a plan. It was the basis of civilization and was "inherent in all human association."[5]

There were three "aspects" of association or social life. Individuals entered into association in economic arrangements in order to satisfy their material wants. In this sphere, personal security and freedom were realized.[6] Individuals entered into legislative arrangements to determine their rights as individuals in their relationships with each other and with other groups. In this sphere, the individual's right to security and to freedom was realized. The cultural aspect concerned the "expression of individual desires in cultural or spiritual matters."[7] When conflict arose about what the individuals comprising the group wanted, priority was to be given "to those in respect of which there is the greatest common measure of agreement among the people comprising the group."[8] According to Powell, the will of THE

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[3] *TT*, 12 Aug. 1937

[4] "Lecture and Study Course on Social Dynamics," January 1938

[5] Ibid., "Lecture No. 2, by L.D. Byrne"

[6] Ibid., "Lecture No. 5, by L.D. Byrne," 21 Feb. 1938

[7] Ibid., "Lecture No. 2, by L.D. Byrne," 25 Jan. 1938; Ibid., "Lecture No. 3, by L.D. Byrne," 8 Feb. 1938

[8] Ibid., "Lecture No. 3, by L.D. Byrne," 8 Feb. 1938

PEOPLE always eventually triumphed. It governed us all. It was "a manifestation of force as natural as the rise of sap in Spring and just as irrepressible." It had been the driving force behind the laborious evolution of democracy over the past 600 years.[9] In a "natural" or democratic social order, individuals in association would get what they wanted.

Democracy was best served, according to Byrne, if the people decided the results (policy) they wanted but left the decisions about what methods were required to deliver those results (administration) entirely to experts prepared to accept the responsibility. For this system to work, the individuals must possess effective sanctions over the administrators. Yet for the administrators to be effective, they had to exercise "complete authority so long as they give the group the results they want individually, and collectively." The people were not to interfere. Hence a democratic society was one in which the people determined the policies within a democratic form of organization and the experts made administrative decisions within a pyramidal form of organization.[10] Democratic organization was to apply to the economic and legislative spheres, but not to the cultural sphere, which, according to Douglas, could not be organized "in any real sense of the term."

To this point, social dynamics closely paralleled Douglas's writings on social credit, but Aberhart's victory had revealed the need for a more fully developed political theory. First, social dynamics emphasized that the transition to social credit would come through political action. Byrne explained that "while the objectives of personal security and personal freedom must be realized in the economic sphere, the right of individual members of society to these objectives must be established in the legislative, or political sphere... Therefore, in any transition from the present social order to the natural social order which we term democracy, the establishment of effective political democracy should precede economic democracy."[11] The establishment of political democracy would automatically be followed by the establishment of economic democracy, since the will of a united people could overcome even the financial tyranny[12] The greater emphasis social dynamics placed on political action would prove important for Douglas's strategy for Alberta.

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[9] *TT*, 12 Aug. 1937

[10] "Lecture and Study Course on Social Dynamics, Lecture No. 3 by L.D. Byrne," 8 Feb. 1938

[11] Ibid., "Lecture No. 13, by L.D. Byrne," 9 May 1938

Second, social dynamics emphasized the individual. Douglas's writings generally suggested the supremacy of the individual in his thinking. The major exceptions, as noted, were the three schemes for instituting social credit which had so strongly influenced Aberhart. Social dynamics restored the balance. Social dynamics explained that the justification for the existence of any organization -- including society itself -- was the increment of association resulting from the free co-operation of its members. Organization existed to serve the individual. Within an organization, each individual had to be personally responsible for his or her contribution. Byrne explained this concept in an article that appeared in *Today and Tomorrow* in January of 1936. An efficient organization, he argued, would enable the "individual to function as a responsible contributor to the increment derived from association..." If the individual did not take personal responsibility "for a definite contribution to the common cause within the framework of the organization," he impoverished the association and destroyed the increment. Therefore, Byrne concluded, "the basis of organization must be personal responsibility."[13] In association, each individual surrendered some measure of freedom to attain a desired result. The best form of organization, therefore, required the least surrender of freedom while attaining the desired objective.[14]

On the surface, the active state envisioned in Douglas's three schemes was rendered passive in social dynamics. To promote individual freedom and to avoid overweening state power, social dynamics implicitly encouraged the decentralization of administrative power. In spite of Douglas's seemingly unequivocal support for individualism, however, social dynamics retained the contradictory premise that the expert must be free to choose any method to achieve the results demanded by the people. Socialism, Bolshevism, Communism, and even Fascism were just different methods of administration.[15] The difference between Douglas's three schemes and social dynamics in terms of their attitudes to individualism, then, was one of emphasis rather than substance.

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[12] PAA, Legislature Library papers, 74.1, box 9, file 232, "The Nature of Social Credit: An Address to the National Dividend Club of London at Kingsway Hall on June 24, 1936, by L.D. Byrne"

[13] *ASCC*, 17 Jan. 1936

[14] "Lecture and Study Course on Social Dynamics, Lecture No. 2, by L.D. Byrne"

Third, social dynamics paid far greater attention to the roles of elected representatives and the sanctions that would prevent an authoritarian form of government from emerging if Douglas's theories were applied. The representatives chosen by the people had faithfully to pass on the instructions of the people and to insure that the desired results were forthcoming. They were not to use their own judgement. The latter required the establishment of an executive, who, under the effective control of the people's representatives, were to issue instructions to administrators. To insure that the executive followed the representatives' instructions, the representatives had to have the right to remove the executive. In turn, the executive must have the power to penalize the administrators if they failed to produce the desired results. Finally, the titular head of state (king or president) had to be able to refer the performance of the government back to THE PEOPLE for their judgement.[16]

The real key to democracy being served, however, was for the people to be mobilized. The people were expert in what they wanted. To mobilize themselves, Powell suggested as one possibility that they should voluntarily group themselves in units of one hundred. As an idea met with approval with one such unit it would be presented to others. Majority support from ten such hundreds would secure submission of the idea to multiples of ten and so on. If enough people favoured a measure, perhaps 5% of the population, it could be included in a National Poll, which could be conducted using Hollerith machines. Each hundred could also elect a paid chair, while groups of ten hundreds would elect district supervisors, and the next multiple of ten, area supervisors. Chairs and district and area supervisors would each assure first, that the people's wishes were "expressed clearly, concisely and invariably in the form of a demand for results" and, second, that the machines accurately recorded the demands of the people.[17]

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[15] On this point see George Powell's pamphlet "The Sovereign People Are Winning -- And How!" (PAA, Dept. of Public Works, Social Credit Board files, 68.308, box 1). In spite of his attention to individual responsibility Douglas's generally low opinion of democracy was still evident in social dynamics. See "Lecture and Study Course on Social Dynamics, Lecture No. 14, by G.F. Powell," n.d.

[16] Ibid., "Lecture No. 5, by L.D. Byrne," 21 Feb. 1938

The people's representatives had to be expert in "searching out ways to rectify, record and implement the will of THE PEOPLE."[18] Social Credit's task, then, was to:

> (1) Find out through the individual initiative of adults as quickly and efficiently as possible what results they desire their various kinds of civil servants (National, Municipal and Commercial) to secure for them, the number who want these results, and the sequence in which they want them with regard to:
>
> (a) their individual freedom to live their lives in their own way;
> (b) restrictions upon their doing so out of deference to others;
> (c) restrictions upon others doing so out of deference to them;
> (d) those amenities they desire, the provision of which they cannot individually initiate with their money votes.

Social Credit was also to ensure results were secured "for those who desire them in the order desired as quickly as possible, whenever possible," to make certain that politicians were "rendered innocuous" if they failed to follow the people's will, and to induce electors to fulfil their political responsibilities.[19] Area supervisors would interact with "headquarters' staff." They would sit in Parliament to ensure that the will of THE PEOPLE was implemented by the experts appointed by the ministers. Implicitly, the party system would disappear since the representatives would all work to attain the same results and judge the executive according to its ability to deliver those results. The ministers would "tend to be drawn from among specialists having collectively a comprehensive first-hand knowledge of the available talent and genius of the nation."[20] In other words, the ministers would be expert in selecting experts.

There were hints in social dynamics of Douglas's later extreme views of democracy. "To induce prompt and thorough action by adults," Powell suggested, "it might be ruled that for so many years after any legislation was completed, and where differentiation was reasonably possible, no elector should benefit other than in accordance with his voting for or against any particular demand" or be exempt from a general imposition unless he had voted against the measure.[21] Implicitly, the secret ballot would give way to a public recorded ballot and taxation would be based on the particular results each individual had demanded.

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[17] Ibid., "Lecture No. 14, by G.F. Powell," n.d.

[18] *TT*, 12 Aug. 1937

[19] "Lecture and Study Course on Social Dynamics, Lecture No. 14, by G.F. Powell," n.d.

[20] Ibid., "Lecture No. 14, by G.F. Powell," n.d.

Social dynamics also provided instruction in social credit economics. The main difference in comparison to Aberhart social credit was the absence of Aberhart's complex formula for computing the just price. Douglas's price discounts were considered adequate to the task. Other concepts, including the likely need for profit to be replaced by a commission on turnover were basically the same. As usual, it was explained that the application of Douglas's ideas would vary with the social unit. Those interested in an example of such an application were referred to the scheme for Scotland.[22]

The instruction Powell and Byrne provided in social dynamics and the attendant emphasis on Douglas's conspiratorial understanding of events soon influenced the government's thinking. Douglas's political theory, with its delineation of the difference between policy and administration, was immediately incorporated. In the longer term, the government's attention to individualism, its fear of socialism, and its understanding of history were all affected.

ii

By the end of February 1937 Aberhart had to admit he had failed to fulfil his promise to provide dividends for Albertans within 18 months of Social Credit's election. He left it to the Social Credit group members to decide whether he should resign. With the legislative session and then farmers planting crops, he suggested June would be the appropriate time for their decision. Opposition politicians and the newspapers countered that all Alberta citizens -- not just Social Credit members -- should decide the premier's fate. Aberhart's manoeuvre was politically astute, however, for he was still recovering from the embarrassment caused by Hargrave,[23] and he knew he was in for a rough session of the legislature. His best hope for survival was to appeal over the heads of the MLAs to the party's members, among whom he had stronger support. For now, he urged them to be of good cheer, give thanks to the Lord for their blessings, and co-operate. What he would do next depended on the backbenchers' reaction to the government's proposed legislation.

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[21] Ibid., "Lecture No. 14, by G.F. Powell," n.d.

[22] Ibid., "Lecture No. 13, by L.D. Byrne," 9 May 1938

[23] Dinning papers, 70.420, file 4, Aberhart broadcast, Calgary, 21 March 1937

The government greeted the spring session with a new batch of bills, though most continued previous strategies for instituting social credit. Some of the bills were more radical than their predecessors, suggesting the government hoped to win over dissident backbenchers. It failed and not all the bills were passed. A new Licensing Act and a Trade and Industry Act were to establish a just price through codes and secure fair prices for primary producers and small businessmen, while protecting them from the unscrupulous tactics of big business.[24] Newspapers like the *Edmonton Journal* attacked the legislation as providing the lieutenant-governor in council with inordinate powers to determine who would or would not be given licenses to engage in business, set minimum and maximum prices, establish standards of ethics, and investigate business practices. Businesses would have to provide the government with invoices for all imported goods.[25] Aberhart's defence of the bills was reminiscent of his remarks justifying the possible licensing of the press in its insistence that licensing protected consumers from exploitation and was consistent with British traditions and customs. "Why should anyone object to a license who is conducting his business or occupation for the welfare of the people?"[26]

Other bills attempted to overcome the impasse Social Credit faced at the wholesale level and encourage new industries to locate in Alberta. An import-export bill provided for the establishment of provincial marketing boards for agricultural products and a provincial trading bureau which could buy or sell any commodity or merchandise.[27] The Industries Assessment Act gave municipalities the power to assist new industries to become established by granting fixed assessments for up to 20 years.[28]

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[24] Wood papers, 86.125, box 3, file 116, *Alberta Social Credit Clarion*, April 1937; *TT*, 1 April 1937

[25] *Edmonton Journal*, 24 March 1937

[26] *TT*, 25 March 1937

[27] *Edmonton Journal*, 24 March 1937

Proposed sanctions on the banks responded to the strategy Douglas had outlined on numerous occasions. The Corporation Taxation Act, Amendment Act, 1937 included provisions for taxing banks (1/10% on the paid-up capital), life insurance companies (3% of the gross premiums on life insurance policies, 2% for fire insurance, and .5% for hail insurance), and loan companies (2% of gross income). Moderate tax increases on other corporations were also included.[29] The Securities Act, Amendment Act, 1937 empowered the Lieutenant-Governor-in-Council to prohibit "trading in securities in any manner deemed by the [Securities] Board to be contrary to the public interest."[30]

The government again sought to shield itself and individual Albertans from debt. It responded to the *ultra vires* rulings, with three new acts. The Provincially Guaranteed Securities Proceedings Act attempted to establish a roadblock to the legal collection of any provincially guaranteed debentures (excepting the debentures of The Alberta and Great Waterways Railway Company) without the approval of the Lieutenant-Governor-in-Council.[31] The Provincial Guaranteed Securities Interest Act cut interest rates on provincially guaranteed debentures (excepting the debentures of The Alberta and Great Waterways Railway Company) as of 1 June 1936 by 50%, if the original rate was equal to or higher than 4%, with a minimum rate of 2%.[32] The Provincial Securities Interest Act, 1937 cut interest rates on all debentures, stock, treasury bills, and saving certificates previously issued by the Province as of 1 June 1936 by 50% to minimum of 2%.[33] To protect individuals from debt, The Postponement of Debts Act empowered the Lieutenant-Governor-in-Council to declare a moratorium on debts over which the legislative power of the province extended and to block legal proceedings for the recovery of debts within provincial courts.[34] The Debt Adjustment Act, 1937 provided a blanket prohibition of action to recover debts incurred prior to 1 July 1936 from resident debtors without the approval of the Debt Adjustment Board.[35]

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[28] *TT*, 2 April 1937

[29] *Statutes of Alberta*, 1937, chapter 57

[30] Ibid., 1937, chapter 31

[31] Ibid., 1937, chapter 11

[32] Ibid., 1937, chapter 12

[33] Ibid., 1937, chapter 13

Much of the government's proposed legislation proved unacceptable to its own backbenchers. The Alberta-first and Douglas factions were joining together in their impatience for action and their willingness to defy the constitution and use compulsion to have their way. The government's legislation did not go far enough. The Alberta-first faction tended to believe the code legislation and prosperity certificates would have worked if the government had forced "co-operation." They wanted the government to set up an import-export agency regardless of the constitutional implications. Thanks largely to constitutional limitations and the disagreement between Douglas and Aberhart, the government had been following a moderate version of their strategy since 1935 without success. It was the Douglas faction that now moved to the fore. The Douglasites believed Aberhart's just prices and codes had no place in social credit. Many were more attuned to Douglas's conspiratorial theories than the government. Aberhart's extremism was usually confined to his religious rhetoric and descriptions that closely linked the conspiracy to the general tactics of the Antichrist:

> If you Social Crediters have made up your minds that you are going to demand square dealing, fair treatment and reasonable consideration, you have already thereby called upon yourself the bitterness and the hatred of the money changers, assisted and abetted by certain leaders of a hypocritical nature at the head of religion. Bear that in mind.
>
> This meant the death of Jesus Christ. This was the thing that led to his crucifixion... Listen to me, if you persist, you men and women, they are going to do everything in their power to starve you... They haven't a soul at all. Do you get it clear? It is cruel. It is vicious. They will fire you from any job if they can do it. They will close in on your business if you have one, and force you into a sale at a great loss. It will almost mean your ruin. They will take you and destroy your good name. They will say all manner of lies against

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[34] Ibid., 1937, chapter 30; Mallory, *Social Credit and the Federal Power*, 102-03

[35] *Statutes of Alberta*, 1937, chapter 9; Mallory suggests the Act basically replaced the 1936 act (*Social Credit and the Federal Power*, 103).

> you for the purpose of destroying that which you intend to do...[36]

In comparison, the Douglasites, like Douglas, himself, related specific national and international events to the conspiracy's actions. They would claim, for instance, that Lincoln was assassinated when he tried to free white men from financial tyranny[37] and that Finance instigated the First World War and funded the Bolshevik revolution. The Douglasites wanted Aberhart to adopt the tactics Douglas had recommended in the Interim Report. They believed Aberhart stood in the way of winning Douglas's help. What the constitution stated did not matter -- they wanted social credit.

Some backbenchers had begun meeting privately as early as 1 March. Soon, they offered their criticisms of the government in public. By 4 March, when A.L. Blue publicly opposed Aberhart's plans to attend the coronation of King George VI because of the costs involved, as many as 30 MLAs were rumoured to be meeting separately from the caucus. As they gathered support, they became more radical. There were reports they would ask Douglas or a technical adviser to come over from Britain to assist them.[38] They attacked the budget in the legislature and started voting against the government on rulings by the speaker. On 24 March, when Aberhart attempted to break the backbenchers' filibuster on the budget, he was defeated. To avoid further defeats, he withdrew both the Licensing bill and the Trade and Industry bill.[39] With no budget, he tried to win support for an interim supply measure.

More urgent negotiations to find a basis for compromise between the government and its backbenchers ensued. Many of the insurgents wanted to impose penalties on the banks. They proposed taxes on securities, bonds, and mortgages which the government claimed would siphon off as much as $20 million. The plan, which resembled some of Douglas's recommendations and the controversial measures in Aberhart's Yellow Pamphlet, was rejected outright by the cabinet, since it would certainly be ruled *ultra vires*.[40] The government's refusal only spurred on the insurgents' demands for a new social credit bill. Perhaps seeking a compromise, the government next introduced a new, more radical debt bill. Bill 87, The Debt Reduction Act, 1937 followed earlier predictions in *Today and Tomorrow* about the government slashing the principal owing on debts in retaliation for the *ultra vires* ruling on its Reduction and Settlement of Debts Act. It provided that on debts incurred prior to 1 July 1932 the debtor would have to pay only 50% of the principal.[41] The backbenchers could not be so easily swayed. Finally, to break the impasse over the social credit bill and the backbenchers' refusal to pass the interim supply bill, Aberhart had to agree to a new social credit bill. In the process, he relinquished much of his control over the government's agenda.

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[36] Dinning papers, 70.420, file 4, Aberhart broadcast, Calgary, 23 Aug. 1936

[37] Alf Hooke in *TT*, 13 April 1936

[38] *Edmonton Journal*, 4 March 1937, 27 March 1937

[39] Ibid., 24 March 1937, 27 March 1937

The Alberta Social Credit Act, which emerged from those negotiations, envisioned much of the same basic infrastructure for social credit as earlier social credit acts but introduced three notable innovations. First, the unearned increment levy and compensating discounts were gone, replaced by a retail discount rate available only to ultimate purchasers. The change was in line with Douglas's ideas and marked the apparent demise of Aberhart's just price. Production and consumption would be balanced through the retail discount rate and the release of new purchasing power through government services, interest free loans, debt payments, export subsidies, and dividends. Second, and most important, the act established a Social Credit Board, thus removing the implementation of social credit from the direct control of the cabinet. The Board was made up of five members of the legislature named in the Act. It could appoint experts to a Provincial Credit Commission, recommend social credit legislation to the government, and request from the Executive Council the advice and co-operation of any Department of Government. The Commission could establish and, with the Board, would have exclusive right to set the value of the Alberta credit available (including the retail discount rate, export subsidies, the dividend, and the advances of Alberta credit which would be released for businesses and housebuilding) so as to balance production and consumption. The Commission would also oversee a statistical bureau and have the right both to require any persons to produce data or statistics it requested and to recommend any measures relative to social credit to the Board. The government's role in choosing the methods to implement social credit was about to be taken over by "experts." Third, the act provided more numerous penalties for such actions as revealing Commission decisions before they were made public and providing false information to the Commission. The Commission could investigate any business "to ascertain whether, and if so to what extent any... circumstances and conditions... operate to the disadvantage or detriment of the Province as a whole or to any class or category of persons in the Province, and to report thereon to the Board." The Act also repealed the Social Credit Measures Act and the Alberta Credit House Act, thus doing away with the controversial registration covenants.[42] As soon as the Act was passed, G.L. MacLachlan, the chair of the Board, proceeded to England to try to tempt Douglas to come to Alberta to advise the Board. The remainder of the government's legislation awaited MacLachlan's return.

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[40] See Cross's comments in *TT*, 1 April 1937 and Aberhart's comments in the *Edmonton Journal*, 25 March 1937.

[41] Mallory, *Social Credit and the Federal Power*, 102

Aberhart had at least temporarily lost control over his caucus and the planning of social credit, but he would not easily relinquish control of his government or his movement. Given the Alberta Social Credit Act's threatening tone, it was easy to forget that, under its terms, the Board would have to rely on the support of the cabinet, which had not changed, and the good will of government departments for its recommendations to be implemented. The extent to which Aberhart had ceded control was not yet clear. As he campaigned for the endorsation of Social Credit's members that June, he tried to outmanoeuvre the backbenchers. He used every trick he had learned during his controversial years at the Bible Institute to maintain his leadership. His government had done all it could, he claimed, and he offered to step down if that was what Socreders wanted.[43] He even explained in one article that Douglas's presence in Alberta was justified because it would increase public confidence and then concluded: "WE DO NEED MAJOR DOUGLAS."[44] At times, he maintained that, in spite of the split within the caucus, all Social Crediters had the cause at heart. No Social Credit MLA wished to see harm come to the movement.[45] The real enemy was attempting to breed mutiny, but if Social Crediters would remain united, victory was at hand.[46]

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[42] *Statutes of Alberta*, chapter 10

[43] Dinning papers, 70.420, file 4, Aberhart broadcast, Calgary, 28 March 1937

[44] Wood papers, 86.125, box 3, file 116, *Alberta Social Credit Clarion*, May 1937

At other times, Aberhart implied that some backbenchers might actually be allied with Finance. He was not satisfied that the insurgents had the confidence of the people.[47] "I'm telling you folks, don't be lulled into sleep to think, - It is merely a matter of trying to hasten Social Credit. There is no one in this government that is more anxious that Social Credit be put in than your Cabinet Ministers. These men needn't tell me that their only desire is to hasten Social Credit. It is not true."[48] There was a limit, he said, to how much he could surrender. In fact, the support of the people was so strong, he questioned, "if the insurgents were not truly representing their people when they made this onslaught, who then were they representing?"[49] Perhaps the old-line political parties were instructing them[50]-- and Aberhart did not have to remind his listeners who told the parties what to do.

At still other times, Aberhart skilfully employed Douglas's rhetoric. He suggested that the people had to instruct their MLAs whether or not to defeat the government.[51] Of course, if there was an election, there was a danger that Social Credit would be defeated and the movement destroyed. *Today and Tomorrow* warned: "History will record the fact that they [the backbenchers] have been the cause of the failure to introduce Social Credit and of the continued suffering not only in this province but throughout the world, because they will have failed to keep unity in the ranks of the Social Credit party."[52] Aberhart's tactics were more successful with group members than with the backbenchers. He retained his leadership but his power to determine Social Credit's course, for now, depended on Douglas.

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[45] *TT*, 15 April 1937

[46] Dinning papers, 70.420, file 4, Aberhart broadcast, 11 April 1937; Ibid., file 4, Aberhart broadcast, 18 April 1937; *TT*, 28 Jan. 1937

[47] *TT*, 6 May 1937

[48] Dinning papers, 70.420, file 4, Aberhart broadcast, Calgary, 9 May 1937

[49] Ibid., file 4, Aberhart broadcast, Calgary, 23 May 1937

[50] Ibid., file 4, Aberhart broadcast, Edmonton, 16 May 1937

[51] Ibid., file 4, Aberhart broadcast, Calgary, 25 April 1937; Ibid., file 4, Aberhart broadcast, Edmonton, 2 May 1937

[52] *TT*, 20 May 1937

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Douglas's agenda was about to take precedence in Alberta. He referred to the new course the province would follow as "The Alberta Experiment"[53] and chose that phrase as the name of his latest book, published in the late spring of 1937. In the book, Douglas blamed Aberhart for failing to understand the "technical basis of Social Credit propaganda."[54] He catalogued Aberhart's mistakes regarding such concepts as the just price and the dividend and castigated the decisions he had made as premier. Aberhart had played into Finance's hands. "No government was ever elected with a clearer mandate or with less excuse for delay... The sheer weight of popular enthusiasm would at this time have justified bold action," Douglas asserted. Instead, Aberhart had attempted "retrenchment and departmental reform."[55] In hiring Magor, his government had failed to realize the absurdity of trying to institute social credit while "allowing the taxation, budgetary and general routine financial policy of the Province to be arranged and administered by a nominee, open or concealed, of the Eastern financial interests with the backing of the Dominion Government."[56] The so-called social credit measures Aberhart had introduced combined aspects of Roosevelt's New Deal with Gesell's monetary theories. Aberhart's fatal mistake had been in failing to deal effectively with taxation, since Finance's control over governments was most immediately felt through growing debt and the concomitant increased taxation. Yet, Aberhart's government could not fairly be blamed for all its failings -- the role of Finance acting through the Dominion government must be remembered.[57]

Douglas's claims that Aberhart social credit bore little relation to the real thing, though later accepted by scholars, were inaccurate and self-serving. His criticisms were largely based on Aberhart's early explanations of social credit, such as those in the Yellow Pamphlet, and did not take into account the extent to which Aberhart had modified his ideas even before the 1935 election. His condemnation of Aberhart's legislative program amounted to little more than a rejection of the strategy of gradualism. Aberhart had crafted his legislation to take into account the limitations of Alberta's economy and constitutional position. Douglas ignored both and advanced a strategy that not only ignored Alberta's needs but held no chance of success.

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[53] Ibid., 5 Aug. 1937

[54] Douglas, *Alberta Experiment*, 21

[55] Ibid., 61

[56] Ibid., 73

[57] Ibid., 91-92

While Douglas's general influence over the government has been recognized, the precise strategy he recommended has received little attention. An examination of that strategy reveals both the intent behind many of the government's actions after the arrival of Powell and Byrne and the extent to which the government deviated from its previous agenda. The first stage in Douglas's strategy, already outlined in the Interim Report and his letters to Aberhart, was to challenge Finance's monopoly over credit creation. The purpose was to force the money barons out into the open so that the public would understand their evil work. To prepare Alberta Social Credit so that it could take advantage of its contest with Finance and use the opportunity to mobilize the general public behind its cause, Douglas wanted to train the government and caucus in social dynamics, strengthen the Social Credit organization, and forge alliances with other progressive-minded Albertans. Social Credit had to learn to "clarify" for the public the nature of the enemy and its policy whenever the opportunity arose. Douglas also planned to encourage public support through the offer of tax reductions. Ultimately, Social Credit would have to establish beachheads in other provinces and strengthen its federal organization. Time was short. Douglas wanted to initiate the first stage of his strategy in the second session of the legislature later that summer. Social Credit would then move immediately to the second stage of his strategy, and attack Finance's allies, forcing them to declare themselves, and thus revealing the battlelines -- the dichotomy between the forces of Finance and the forces of Freedom -- for all to see. With the exception of a few enabling measures, the implementation of social credit could wait until the war with Finance was won.

Social Credit Board chair G.L. MacLachlan returned from England, not with Douglas but with the promise of two technicians, George F. Powell, who arrived in Edmonton on 10

June, and L.D. Byrne, who arrived before the end of the month. They immediately began implementing Douglas's strategy. Powell called for unity in the ranks of Social Credit.[58] He explained that Social Credit's internal turmoil had grown from a failure to understand the difference between policy and administration and the appropriate roles of the people, their elected representatives, and hired experts. In a true democracy, the people were to demand results. The government would hire the experts who could deliver the results. Powell also suggested that once unity was established, Douglas would come. "Then will the monster [Finance] show his teeth. All manner of tactics will be employed to harass you and plague you."[59] According to Powell and Byrne, Socreders had to understand they were at war, fighting for the liberty not just of Albertans but of mankind.[60] The enemy would show no mercy. For now, to overcome the internal divisiveness, Powell urged members to sign a temporary unity pledge. In keeping with Douglas's ideas about a coalition government, opposition members could sign if they wished.

The pledge continued the task of teaching Alberta Social Crediters the meaning of democracy, as Douglas understood it. It stated that the people had demanded security in the form of a $25 per month dividend. The dividend was "physically possible and must therefore be financially possible." The Social Credit Board would hire technicians who would "devise means to implement the will of the people," which must be obeyed. The MLAs were to pledge "to uphold the board and its technicians" while means were devised to allow the will of the people to prevail. MLAs were to avoid further internal quarrels. The agreement, itself, was to be binding if 60% of the members signed and was to cease when the Board's technicians submitted their recommendations.[61]

Alberta Social Credit was ready for Douglas's message. The movement had almost been torn apart and virtually everyone wanted an end to the divisiveness. With a correct understanding of the respective roles of the people, the government, and the experts, progress would be possible. Byrne and Powell's hyped-up rhetoric equating Social Credit's struggle to war recaptured the urgency and revolutionary purpose of the early movement. Finally, the backbenchers thought, Social Credit was about to get down to the business for which it had been elected; it was about to revolutionize not only Alberta but the world. With no real choice, Aberhart warmly welcomed Powell and his call for unity.[62] Most members signed the unity pledge.[63] The backbenchers' revolt quite suddenly dissipated and the government returned to work. Under Powell's direction, in mid-June the Social Credit backbenchers passed the budget. The debt bill proposing no interest or a 50% cut in principal was "held over at the request of Major Douglas" so he could study the situation further. The import-export bill also died at Douglas's instructions.[64] With Aberhart's backing, the session came to a close so that full attention could be devoted to preparing for social credit.[65] Already Powell had started instructing the government in social dynamics.

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[58] Ibid., 10 June 1937

[59] Ibid., 8 July 1937

[60] Legislature Library papers, 74.1, box 9, file 232, "The Nature of Social Credit: An Address to the National Dividend Club of London at Kingsway Hall on June 24, 1936, by L.D. Byrne"

[61] *TT*, 17 June 1937

As that instruction proceeded, the conspiracy was more clearly than ever before linked to Finance in Social Credit thinking. As mentioned in the last chapter, soon after the 1935 election, the government had dropped most of its anti-capitalist rhetoric. Aberhart still blamed the financial conspiracy for mankind's enslavement, but most of his references were impersonal. The conspirators were never named. The money changers were biblical characters, not modern bankers.[66] In contrast, Douglas was entering the most extreme phase of his conspiratorial understanding of the world. He was virulently anti-Semitic. He focussed less on his much-challenged monetary theories and more on the supposed policy of the conspiracy: pyramidal centralization of power. Byrne and Powell brought these ideas with them. Under their tutelage, Alberta Social Credit and its leaders were schooled to recognize that the conspiracy was active in the world, determining day-to-day events. They soon began naming some of the "International Money Barons" (such as the Rothschilds and Morgans) and suggesting linkages with Canadian banks (such as the Royal Bank, the Canadian Bank of Commerce, and the Bank of Montreal), Canadian life insurance companies (such as Sun Life and Canada Life), and Canadian businessmen and politicians (such as L.A. Taschereau, Sir E.R. Peacock, and R.B. Bennett).[67]

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[62] Dinning papers, 70.420, file 4, Aberhart broadcast, Edmonton, 13 June 1937

[63] Cockroft, Chant, Ross, Blue, Barnes, James Hansen, and A.E. MacLellan were among those reported as not signing by *Today and Tomorrow* (17 June 1937).

[64] Ibid., 17 June 1937

[65] Ibid., 17 June 1937

[66] *TT*, 29 Oct. 1936, 5 Nov. 1936, 3 Dec. 1936

Byrne and Powell also instructed Social Credit MLAs on Finance's specific strategy for Alberta. In the process, they repeated Douglas's humiliation of Aberhart. In a July report to the Social Credit Board most likely authored by Byrne, Finance's strategy since 22 August 1935 was explained. First, Finance had encouraged the "view that the problem [of gaining control of financial policy] was essentially economic, involving something in the nature of a plan which could be introduced without diminishing their control of financial policy; knowing full well that any attempt to introduce any measures in competition with the banks while leaving them in control of the situation, was fore-doomed to failure." Second, Finance had tried to "create a position in which unpopular legislation such as increased taxes and debt repudiation would serve to discredit a Government which menaced their power." Third, Finance had professed a desire to co-operate while devising means to render Social Credit's challenge impossible. The loans council and the proposed royal commission had both been directed toward that end.[68] The message was clear. Aberhart had been duped by Finance. Yet Byrne and Powell recognized Aberhart's importance to the movement. Publicly, therefore, they praised him for having demanded results in the form of $25 dividend and for having founded the Board.[69]

In spite of the insults, Aberhart had little choice but to arrive at some form of compromise with Byrne and Powell. He did not want to see his movement fall victim to the kind of extremism he had worked so hard to prevent and he hoped to reassert his leadership. He had the support of the group members, but the loyalty of the majority of the backbenchers for now rested with Douglas, Byrne, Powell, and the Social Credit Board. Social dynamics helped provide the basis for an uneasy compromise. Social dynamics's explanation of the cultural sphere allowed for freedom of religion and therefore did not challenge Aberhart's fundamentalism. Its emphasis on both individualism and the dangers of centralization was basically in harmony with Aberhart's core religious beliefs. He had not renounced his social gospel tendencies but events in the world increasingly called for a defence of the individual freedom required for salvation.

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[67] The best source is *Today and Tomorrow* for the summer of 1937. In particular, see *TT*, 5 Aug. 1937.

[68] GAI, John Hugill papers, M544, file 43, "Preliminary Report on the Technical Aspects of the Situation in Alberta," with enclosures, 13 July 1937

[69] Ibid., file 48, "Social Credit Study Group Material, Article No. 2, Subject Matter of an Address Given to the Caucus of the Social Credit Party, by Mr. G.F. Powell, on June 19th, 1937;" *TT*, 8 July 1937

For instance, like other fundamentalists, Aberhart was concerned about political developments in Europe. He interpreted events there in terms of biblical prophecy. In 1936, he warned: "The world has, through lack of knowledge, attempted to establish a league of nations which God had promised to create. It has utterly failed, and it is at present in danger of causing the whole of Europe to go into another great war." He preached that neither Mussolini nor Hitler was the anti-Christ, and, based on the prophecies, predicted that the British Isles would eventually "be made by God into a league of nations."[70] By 1937, he interpreted various European political movements in terms of a single attempt to make the state supreme by attacking Christianity. He could easily blend social dynamics's insistence that organizations exist to serve the individual into his religious-based warnings about events in Europe:

> The world is attempting to solve its difficulties by anti-Christian messages and it will fail... it attempts to make the state an all-important unit and considers the individual only as a cog in a machine, it is anti-Christian and must ultimately fail. Christ came and discovered the individual and made the individual the all-important unit for which the home and the church and the state all exist. Nazism, Sovietism, Fascism and so forth are being tried in opposition to Christianity and the church and they must fail.[71]

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[70] Dinning papers, 70.420, file 4, Aberhart broadcast, Edmonton, 28 June 1936

[71] Ibid., file 4, Aberhart broadcast, Calgary, 18 July 1937; also see Ibid., file 4, Aberhart broadcast, 27 June 1937.

Powell and Byrne warned about an approaching Armageddon, claimed Social Credit was at war, equated its cause to a holy crusade, and suggested the world was watching its every move. These ideas recalled Aberhart's rhetoric before the 1935 election and reinforced his religious-based understanding of the dichotomy between good and evil and the possibility of contemporary European politics foreshadowing Armageddon. There were enough bridges in thought here for Aberhart to remain as the titular head of Social Credit and hope for better days.

Like most backbenchers and cabinet ministers, he proved a quick study at learning social dynamics. He soon was lambasting Finance and "revealing" the nature of true democracy for his listeners. Democracy, he now defined as "the greatest common measure of the desire of the people... The vital difference between true democracy and Fascism or Nazism for example, is the freedom of the individual to chose what he wants, one thing at a time. Democracy, if it is to continue to exist, must learn to become expert in choosing what is good for it, and not in how to obtain that good thing." Devising methods was the job of experts.[72] In spite of his public declarations, Aberhart probably never accepted that the choice of methods available to experts was not limited by moral guidelines. To maintain ostensible control, he had to take actions he otherwise would have rejected.

As the instruction in social dynamics progressed, Powell and Byrne worked to strengthen Social Credit's organization and increase its mandate from the people. In keeping with the order of precedence established in social dynamics, the creation of political democracy was to precede the creation of economic democracy. Social Credit's role in mobilizing the people was, therefore, the key to the entire struggle with finance. In case any MLAs took lightly the task they were assigned, the author of the previously mentioned July report to the Board warned:

> Unless you can be sure of a fully sufficient amount of support "for the duration" of the real war upon which you are about to enter you would be wise to withdraw now. For although it is real, cruel, bitter war which your opponents are already waging upon Albertans; and although as a result of it

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[72] Ibid., file 4, Aberhart broadcast, Calgary, 20 June 1937; also see Ibid., file 4, Aberhart broadcast, Edmonton, 27 June 1937.

> have come premature deaths - casualties, humiliations, loss of liberty and property, THE PEOPLE, not knowing how to hit back, have not incurred the worst that can be inflicted on them. It will be different now if you show them how, and where, to hammer effectually for their freedom, because it will certainly mean subjecting them to retaliatory measures.

Apparently the Board thought retaliation was more likely than it was telling the public. An accompanying document on the political situation, most likely authored by Powell, suggested ways of strengthening Social Credit for the coming intensification of its war with Finance. Lines of communication within the organization had to be improved, broadcasts increased in number, and arrangements with the *Albertan* tightened. Social Credit newspapers must be brought up to the enemy's level and pamphlet production increased.[73]

In keeping with Douglas's oft expressed wish for a coalition government and his belief that experts could select any methods, Byrne and Powell also initiated contacts with members of the UFA and with prominent leftists. On 22 June, Byrne approached A.P. Waldron, managing editor of the *Western Producer* and asked what he thought the attitude of members of the UFA, and specifically Brownlee, would be to friendlier relations.[74] Later Byrne and Powell contacted Norman Smith.[75] They also held secret meetings with Communist Party leaders in the summer of 1937. Soon, those leaders were featured speakers at Social Credit meetings.[76] *Today and Tomorrow* began carrying articles and editorials that treated socialists in a friendlier manner. Many Social Crediters embraced the party's new attempt to forge a coalition of progressives, but, even though Aberhart had encouraged progressive support during his election campaign, he was less comfortable with such support now.[77]

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[73] Hugill papers, M544, file 43, "Preliminary Report on the Technical Aspects of the Situation in Alberta," with enclosures, 13 July 1937

[74] Spencer papers, M1165, file 5, Waldron to Spencer, 23 June 1937

[75] Ibid., file 5, Smith to Waldron, 5 July 1937

[76] Elliott and Miller, *Bible Bill*, 270-71

[77] On grass roots level alliances between Social Credit and leftists during this period, also see Finkel, *Social Credit Phenomenon*, 49-51. Finkel suggests Social Credit's alliances with leftists during this period resulted from grass roots activism at a local level. Certainly that was the case at times, but Finkel ignores Douglas's strategic role in initiating such alliances. Numerous Aberhart speeches from this period implicitly warn against godless socialism. For

The tasks of educating Social Crediters to social dynamics and of strengthening the Social Credit organization would be on-going, but, by mid-summer, the government was ready to challenge the money barons' monopoly over the creation of credit. Given the federal government's efforts to establish a loans council and, more recently, a royal commission to investigate federal-provincial financial relations, the author of the July report to the Social Credit Board noted: "It is important to observe that the anxiety which is evidenced by the financial interests to impose constitutional restrictions upon Alberta, strengthens the view that at the present time the Province is in a position to effectively challenge its power." Echoing Douglas, the report then explained that the real problem was not economic but military, "involving strategy for gaining control of financial policy on the one hand, and retaining such control on the other." The province did not have the constitutional power to issue currency notes but it did have the power "to make it impossible for any bank to operate within its borders, to prevent it enforcing its claims for debt, to make the business of money-lending illegal and impossible, to publicise banking practice, and in many other ways to inflict severe penalties upon the financial interests."

The report recommended, as Douglas had to Aberhart many months before, that the government send a letter to the Banks inviting their co-operation in the assumption of control of financial policy by the Government. The banks would refuse, which would tend to clarify the issue for the public. Meanwhile, the government should prepare an act to regulate employment in financial institutions, thereby providing the Social Credit Board, through a system of licensing, with "complete control of the financial situation" so that the People's policy could be implemented by the Provincial Credit Commission. The sales tax was also to be abolished and notice was to be given that further reductions in taxation could be expected.[78] The Board apparently hoped to tax the banks "to provide funds for replacement of the Sales Tax immediately and by successive sessions, Social Service Tax,

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one example, see Dinning papers, 70.420, file 4, Aberhart broadcast, Edmonton, 27 June 1937.

[78] Hugill papers, M544, file 43, "Preliminary Report on the Technical Aspects of the Situation in Alberta," with enclosures, 13 July 1937

budgeted deficit, 50% interest on Bonds, the cost of centralizing relief."[79] Following up on another of Douglas's recommendations to Aberhart, the Board proposed the establishment of a provincial police force. The RCMP was to be given notice. Archival sources on the Board's discussions with cabinet are very limited, but it appears that the government countered with more moderate suggestions of its own: the use of the Licensing Act to register bank staffs, passing of legislation to make it illegal for banks to monetize the credit of the province, and the establishment of a volunteer police.[80]

When the suggested letters were sent to the banks, though, Aberhart stood behind his government's actions. He explained: "As the banks operating within this province hold in their hands a greater part of the responsibility of making it possible to meet the obligations prescribed by the people's will and as all institutions functioning within the province should direct their energies toward the welfare of the people, the government in its letter is pointing out to the banks, the responsibilities connected with their privileges."[81] The banks had until 16 August to register and Powell warned that the government could not be held responsible for individual hardship that might occur if they did not take advantage of their opportunity.[82]

During the special session that commenced on 3 August, the government passed most of the legislation the Board had recommended. The Credit of Alberta Regulation Act was intended to provide the government with the means to compel obedience from the banks. It licensed bank employees, who had to apply for their license to the Provincial Credit Commission. The license could be suspended if the licensee committed a breach of an undertaking to refrain from interfering with the property and civil rights of any person within the province. Such rights were not defined. The act gave the Provincial Credit Commission powers, with the approval of the Lieutenant-Governor-in-Council, to prescribe "the privileges, terms, conditions, limitations and restrictions to be granted to or observed by any licensee." The policy of banks was to be under the control of a Local Directorate consisting of five persons, three appointed by the Social Credit Board and two by the bank. Appeals for the suspension or cancellation of a license were to be directed to the Social Credit Board.[83] The Bank Employees Civil Rights Act stopped any unlicensed employee of a bank from "bringing, maintaining or defending any action in any Court of Civil Jurisdiction in the Province which has for its object the enforcement of any claim either in law or equity."[84] Under The Judicature Act Amendment Act, 1937 (Second Session), permission from the Lieutenant-Governor-in-Council would be required to challenge the constitutional validity of any act of the Assembly.[85] The two acts to control the banks have commonly been regarded as the Aberhart government's only "pure" social credit legislation, yet Douglas had never advocated such compulsory measures in his earlier writings.

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[79] PAA, Premiers' papers, 69.289, file 827a, "Legislation recommended," n.d.

[80] Ibid.

[81] *TT*, 22 July 1937

[82] Ibid., 22 July 1937

Low explained the logic behind the government's actions. For nearly two years, Social Credit had explored the possibilities of gaining the results the people had demanded without taking into consideration that financial policy was controlled from outside the province. It now recognized its former approach could not work. "There cannot be two financial systems with opposite objectives working side by side within the province." If the banks remained -- and there were rumours they planned to withdraw their services if the government persisted -- they would have to serve the will of the people. The government would not try to tell the banks how to run their businesses -- after all, they were the experts on such matters. The government would only set the banks' financial policy by insisting that the desired results be delivered.[86]

The special session also moved the government towards Douglas's taxation policy. Ironically, the increased revenues the government enjoyed as a result of Aberhart's repudiation of the bond payments, austerity measures, and increased taxation now provided the flexibility for Douglas's tax reductions without incurring a deficit. Pending replies to the letters sent to the banks, no new taxes were imposed on them. The sales tax was eliminated. Solon Low referred to the tax reduction as a "modest first instalment of a dividend."[87] He predicted further tax cuts until manufacturing costs in Alberta were so low that outside industry could not compete, and he warned that, unless an amicable arrangement was made with the banks, the credit of the province would be monetized through their taxation.[88] An amendment to the Alberta Social Credit Act redefined social credit in keeping with the social dynamics version: "the power resulting from the belief inherent within society that its individual members in association can gain the objectives they desire"[89] The Treasury Department Act Amendment Act, 1937 allowed the province to use credit houses instead of a chartered bank, for handling provincial monies.[90] There was, however, no progress towards establishing credit houses or overcoming the impasse the government had previously encountered at the wholesale level. The promotion of industrialization to build a social credit economy was no longer a priority.

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[83] *Statutes of Alberta*, 1937, 2nd session, chapter 1

[84] Ibid., 1937, 2nd session, chapter 2

[85] Ibid., 1937, 2nd session, chapter 5

[86] *TT*, 19 Aug. 1937

The federal government, petitioned by banks and business organizations, could not sit idly by and allow Alberta's legislation to go unchallenged. According to Federal justice minister Ernest Lapointe, the Credit of Alberta Regulation Act, the Bank Employees Civil Rights Act, and the Judicature Act Amendment Act, 1937 (Second Session) assumed that the provincial government had an unrestricted right to legislate in regard to property and civil rights. He pointed out, however, that those rights existed "only to the extent that the power to legislate in relation to this subject matter has not been assigned to the Parliament of Canada." Parliament had wide powers regarding the regulation of trade and commerce, currency and coinage, banking, incorporation of banks, the issue of paper money, savings banks, bills of exchange, promissory notes, interest, and legal tender. The Bank Employees Civil Right Act would eliminate civil rights for bank employees. He recommended disallowance of all three acts to Prime Minister King.[91] King, in turn, asked Aberhart to support a reference of the bills to the Supreme Court.[92]

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[87] Ibid., 19 Aug. 1937

[88] Ibid., 5 Aug. 1937

[89] *Statutes of Alberta*, 1937, 2nd session, chapter 3, The Alberta Social Credit Act Amendment Act

[90] Ibid., 1937, 2nd session, chapter 4

Aberhart rejected King's proposal, defended the constitutionality of the three acts, and boldly declared the government's strategy: "Our legislation is designed to (a) secure the results demanded continuously by the overwhelming majority of our people here, (b) compel financial tyranny to reveal itself as such if it dare to oppose." His government would proceed "with the enforcement of our legislation and with due deference we suggest that the responsibility of questioning its validity should be assumed by those desiring to render it abortive."[93] Aberhart's letter to King was probably drafted by Byrne or Powell. It continually referred to the advisors and bankers who had supposedly drafted King's reply, almost as if the author believed he was dealing directly with the conspiracy. Addressing the letter to King was merely a politeness. That kind of cloak and dagger pretentiousness was typical of Byrne and Powell. In a rare interview, Powell expressed a desire for the kind of anonymity he believed Montagu Norman enjoyed: "if I had my way, nobody would even know I was here."[94] On 17 August 1937, the three acts were disallowed.[95]

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By drawing the federal government into the fray, the legislation of the second session more than fulfilled Douglas's hopes. Finance's hand had been revealed when it petitioned the federal government, which, in turn, had shown itself to be Finance's ally. The second stage of Douglas's strategy, in which all Finance's allies would be identified, was already underway. An excited Douglas cabled Powell and Byrne: "Magnificent... Give Mounties notice. Organize provincial police. Ultimate success now certain. Congratulate Aberhart."[96]

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[91] King papers, MG26J1, vol. 231, Lapointe to the Governor General in Council, 10 Aug. 1937

[92] Ibid., vol. 231, King to Aberhart, 11 Aug. 1937; *TT*, 12 Aug. 1937

[93] King papers, MG26J1, vol. 231, Aberhart to King, 16 Aug. 1937

[94] Wood papers, 86.125, box 3, file 116, *Alberta Social Credit Clarion*, Sept. - Oct. 1937

[95] King papers, MG26J1, vol. 231, King to Aberhart, 17 Aug. 1937

[96] As quoted in Elliott and Miller, *Bible Bill*, 269

In keeping with Douglas's strategy, the correct response was for Social Credit to use every opportunity to clarify the enemy and its tactics in the public's understanding and to stress the dichotomy between Finance and the people. A Publicity Bureau release declared "We, the people of Alberta, are at war with International Finance."[97] Aberhart claimed that any opposition to the government's legislation could "safely be attributed to [the] hostility of vested interests to THE PEOPLE'S WELFARE."[98] N.B. James boasted Social Credit had already taken the first trench in the war with Finance. "We have brought the enemy out into the open, revealed in the glaring light of day, as the avowed Enemy of THE WILL OF THE PEOPLE... We have accomplished more than this, -- or the enemy has accomplished it for us. We have also brought into the glare of daylight at least one of the ALLIES OF FINANCE." James predicted more Allies of the Enemy would follow the Dominion government and declare themselves as time passed. "Camp followers such as the Chambers of Commerce, Boards of Trade, and mis-called Peoples' Parties, are already stationed behind the Enemy army," and the Press, the Courts, the Judges, and possibly even the Churches would soon be found there. "But with all those Allies," James reminded his audience, "we must never forget that the real Enemy is a small group of International Financiers, far from the field of battle, and a long way from our Province, but wielding immense power over seas and continents, -- a group that holds in the hollow of its hand every Government in the world save YOUR GOVERNMENT -- the Government of ALBERTA." The people of Alberta were the storm troops in the war. There was no middle ground, James cautioned. "You are either on the side of the Financial Dictators and joining with them in their oppression of your fellow men and women, or you are standing loyally and truly in the army of those who are fighting the battle for Freedom."[99] Douglas equated Alberta's struggle with the battle of Armageddon.[100] Byrne attributed the disallowances to the pressure of eastern Canadian bankers and Wall Street.[101]

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[97] Social Credit Party papers, M1768, file 7, undated press release from A.J. Allnutt, Bureau of Public Relations

[98] *TT*, 5 Aug. 1937

[99] James broadcast of 29 August 1939 in Ibid., 16 Sept. 1937, 23 Sept. 1937

[100] Ibid., 16 Sept. 1937, 23 Sept. 1937

For a constitutional argument, the Alberta government adopted Douglas's position that the clauses in the BNA Act giving property and civil rights to the provinces reflected fundamental principles that took precedence over specific clauses regarding federal jurisdiction over banking legislation.[102] Aberhart disputed whether the power of disallowance existed any more, threatened to ignore the disallowances, and warned that the will of the people must not be ignored, but he generally counselled moderation for his followers.[103] Thus, following Ottawa's veto, in a speech at Lakeview, Aberhart responded to cries from the crowd of "Give us a gun" with "No! No!... None of that... This is constitutional... We will stand by the constitution and fight it through."[104] And, when confronted with suggestions that Alberta should separate if it was not going to be allowed to implement social credit, Aberhart responded "when you talk of secession count me out... We want to fight for British justice... We want to fight for British fair play -- under the British flag."[105] No matter how radical Social Credit's policies might appear, he explained, "we want it distinctly understood we are loyal to our God, our King, and our Country."[106]

The justification for civil disobedience was explored more directly by Maynard. Social dynamics emphasized that social credit was an expression of natural law. Discussing the radical measures Social Credit had passed, Byrne equated natural law to divine law and claimed that the legislation was an attempt to place man's law in conformity with divine law.[107] Maynard followed Byrne's lead. He argued, "there is something greater than the law of man, and that is the law of God, and I maintain that when human legislators have so forgotten themselves as to pass laws that contravene the divine law, every man is bound in conscience to obey the divine law rather than an iniquitous and perverse human law." Divine law stated that man had the right to existence and no legislator had a right to contravene that law. If it was "the contention of the banks ... that we must let our people starve, because we have not the right under our constitution to provide them with food when we have such an abundance of it, then I claim that the constitution is unjust and in contravention of the law of God."[108]

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[101] Ibid, 23 Sept. 1937

[102] Ibid., 19 Aug. 1937

[103] King papers, MG26J1, vol. 231, Aberhart to King, 26 Aug. 1937; *TT*, 19 Aug. 1937

[104] *TT*, 19 Aug. 1937

[105] Ibid, 23 Sept. 1937

[106] PAC, Audio-Visual materials, sound recording 0690, 0691 Calgary Prophetic Bible Institute broadcast, 15 Aug. 1937

[107] *TT*, 12 Aug. 1937

In preparation for the next stage in Social Credit's war with Finance, members were asked to sign a new unity of purpose pledge.[109] The pledge contributed to attorney general Hugill's resignation a few weeks later. Hugill could no longer, in conscience, agree to legislation he knew to be in defiance of the constitution. He slammed Aberhart's "abject surrender and subordination to the de facto Premier Powell" and said he particularly regretted the last pledge he had signed, the "so-called 'secret pledge'." He thought the pledge might be seditious, due to its references to Social Credit members being virtually at war.[110] The Communists helped distribute the Blue Pledges which members of the general public were encouraged to sign in place of the Registration Covenants. Douglas praised Aberhart for announcing there would be a third session and predicted it would further crystallize the issue in the minds of the Canadian public.[111]

The third session extended Social Credit's attack on the banks to include Finance's allies. The Bank Taxation Act imposed an additional tax on banks of .5% on the paid-up capital and a tax of 1% on the reserve fund and the undivided profits thereof. Banks were to disclose returns as required by the minister for carrying out the act or face various stiff penalties.[112] The Licensing of Trades and Businesses Act, 1937 gave the government the means to compel co-operation from businesses. It provided for the registration and licensing of persons engaged in business with various penalties for non-compliance to the provisions of the act.[113] The Edmonton Chamber of Commerce termed it a "weapon of tyranny and oppression" and objected that it gave extraordinary powers to the minister to determine the means of livelihood of all Albertans.[114] The Credit of Alberta Regulation Act, 1937 repealed the already disallowed Credit Regulation Act of the second session and attempted to avoid conflict with section 91 of the BNA Act by omitting direct references to banks and banking and by substituting the words credit institution.[115] The Accurate News and Information Act followed through on Aberhart's repeated threats to control the newspapers. It required newspapers to publish any statement issued by the Chairman of the Social Credit Board "which has for its object the correction or amplification of any statement relating to any policy or activity of the Government of the Province published by that newspaper..." Newspapers would be required to reveal the sources of their stories and the identities of the writers of any articles or editorials appearing. For contravention of the Act, the Lieutenant-Governor-in-Council could impose a range of penalties that included suspension of publication.[116] Claiming a conspiracy to obtain signatures for the recall of Aberhart, the government also repealed the Recall Act.

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[108] Ibid., 12 Aug. 1937

[109] Ibid., 12 Aug. 1937

[110] Hugill papers, M544, "Address by John W. Hugill, K.C., D.C.L., M.L.A. Ex Attorney General CFCN, Calgary, 23 Sept. 1937"

[111] *TT*, 16 Sept. 1937

[112] *Statutes of Alberta*, 1937, 3rd session, Bill 1; Mallory, *Social Credit and the Federal Power*, 78-79

On 5 October 1937, Alberta's Lieutenant Governor Bowen reserved the Bank Taxation Act, the Credit of Alberta Regulation Act, and the Accurate News and Information Act for the signification of the Governor General in Council.[117] King then referred the three acts together with the federal government's power of disallowance to the courts for their decision.[118] The Alberta government continued to attest that it had the constitutional right to enact the legislation and posed as the defender of the BNA Act against federal power-grabbers.[119] Referring to the credit legislation, Manning stated: "In our honest opinion, we have not only the moral right but the constitutional right to pass this legislation."[120] *Today and Tomorrow* suggested the Accurate News bill was intended to force newspapers to divulge their sources in order to identify the "hidden pipelines" within the government that were passing information. In the "people's strategic fight to secure control of their own credit such leaks might have serious consequences."[121] The press was part of the financial system. The province was in an economic war. "In a bloody war, were a newspaper to gain knowledge of vital plans and publish them prematurely, the newspaper would pay for violating the Official Secrets Act..."[122] Alberta's major daily newspapers and 90 weekly papers won the 1938 Pulitzer Prize for their opposition to the Accurate News and Information Act.

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[113] *Statutes of Alberta,* 1937, 3rd session, chapter 1

[114] Premiers' papers, 69.289, file 820, John Blue, Edmonton Chamber of Commerce to Aberhart, 28 Sept. 1937

[115] *Statutes of Alberta,* 1937, 3rd session, Bill 8; Mallory, *Social Credit and the Federal Power,* 77

[116] *Statutes of Alberta,* 1937, 3rd session, Bill 9

[117] Mallory contends the lieutenant governor acted within his constitutional authority but left himself open to charges of arbitrary abuse of power which Social Credit soon made (*Social Credit and the Federal Power,* 80).

v

Douglas's strategy appeared to be fully in play through the late fall of 1937 and early winter of 1938. Social dynamics was the accepted ideology of Alberta Social Credit. More Socred MLAs were adopting Douglas's conspiratorial understanding of history. The evil nature of Social Credit's enemy and the pivotal position of Alberta in this most important of struggles were constantly brought to the fore. Social Credit speakers portrayed a world in crisis, a looming, apocalyptic battle pitting Man against Money, with Alberta the vanguard of the world reform forces.[123] Alberta must not falter, for on its shoulders rested the hope of mankind.[124] G.L. MacLachlan was imbued with this spirit when he addressed the 1938 Social

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[118] See King papers, MG26J1, vol. 231, Aberhart to King, 12 Oct. 1937 and King's two telegrams to Aberhart in Ibid., vol. 231, 2 Nov. 1937

[119] See Maynard's speeches carried in *TT*, 18 Nov. 1937, 25 Nov. 1937, 2 Dec. 1937, 9 Dec. 1937, 16 Dec. 1937, 23 Dec. 1937, 30 Dec. 1937.

[120] Ibid., 25 Nov. 1937

[121] Ibid., 30 Sept. 1937

[122] Ibid., 21 Oct. 1937

[123] Aberhart in Ibid., 2 Dec. 1937, 28 April 1938; Low in Ibid., 28 Oct. 1937

[124] Ibid., 14 April 1938

Credit convention:

> If you are to obtain ECONOMIC SECURITY AND FREEDOM you must take this control from them [Finance] and thereby destroy their power. To do this you must SET YOUR STRENGTH AGAINST THEIR STRENGTH AND STRUGGLE WITH THEM UNTIL THEY ARE OVERCOME AND YIELD TO YOU. To do this means war AND NOTHING ELSE, for war is where two forces contend to impose their will one over the other, and if you are afraid of the struggle that lies ahead, you had better take the easy course now and quit, because this is a fight to the death of the present generation of the common people."

The only power greater than Finance was a united people.[125] Yet, even as Social Credit surged to the attack, there were signs that the troops were deserting and that Douglas's power was waning. Aberhart's strategy of gradualism was about to re-surface.

By exposing Finance's collaborators, Social Credit hoped to clarify the choices available to the general public. The federal government and the major newspapers had already been revealed as allies of Finance. The decision of the lieutenant governor to reserve three Social Credit bills in the third session had exposed his loyalties as well. By the end of the year, some Social Credit groups were urging that the government strike back by closing the lieutenant governor's residence. Civil servants who were working against the government should also be let go.[126] In an act of petty vengeance during the 1938 session, the government closed down Government House, the lieutenant governor's official residence.

Social Credit particularly targeted opposition politicians as the servants of Finance. Following the decimation of the Liberals and Conservatives in the 1935 provincial election, the Conservative party had tried to form a coalition under the banner of the People's League. In reaction to the extreme legislation of the second session of 1937, the League had become more active. Social Credit speakers constantly branded the League as a collaborator of Finance through the winter of 1937-38. Such attacks were often reminiscent of Aberhart's pre-election diatribes. Aberhart, himself, referred to the People's League as the People's Slavery League.[127]

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[125] Ibid., 20 Jan. 1938

[126] Ibid., 23 Dec. 1937, 13 Jan. 1938

[127] Dinning papers, 70.420, file 4, Aberhart broadcast, Calgary, 13 Sept. 1937; Ibid., Aberhart broadcast, Edmonton, 17 Oct. 1937; *TT*, 4 Nov. 1937

Social Credit Board chair Glen L. MacLachlan called it Alberta's Tammany Hall.[128] According to N.B. James, it was "sponsored, and financed, by the very core of our economic evils, -- the private monopoly of money."[129] James also compared politicians to rats that spread bubonic plague and condemned them as a deadly menace to civilization.[130]

By far the most famous attempt to brand Finance's allies, however, was the Bankers' Toadies pamphlet. The pamphlet, concocted by Powell and Socred backbencher Joe Unwin, stated "**My child, you should NEVER say hard or unkind things about Bankers' Toadies. God made Bankers' Toadies, just as he made snakes, slugs, snails and other creepy-crawly, treacherous and poisonous things. NEVER therefore, abuse them -- just exterminate them!**" The obverse side of the pamphlet identified the supposed financial and political connections of a number of Bankers' Toadies (S.W. Field, K.C., lawyer for the Mortgage and Loan Companies of Canada and president of the People's League; H.H. Parlee, lawyer, Canadian Bank of Commerce and president of the Edmonton Liberal Association; H.R. Milner, lawyer, Royal Bank of Canada and president of the Edmonton Conservative Association; J.F. Lymburn, lawyer, Bank of Montreal, People's League; G.D. Hunt, investment broker, United Canada Association; L.Y. Cairns, lawyer, Dominion Bank of Canada and member of the Conservative Executive; G.W. Auxier, lawyer, National Trust Company and secretary of the People's League; W.A. Griesbach, lawyer representing several trust companies; and D.M. Duggan, investment broker, and leader of the Conservative party), followed once more by the words EXTERMINATE THEM.[131] Powell and Unwin were charged with defamatory libel and eventually sentenced to prison for six and three months respectively. Their jail sentence became a *cause celebre* for Social Credit but the pamphlet helped expose the limitations of Douglas's strategy.

Confronting Finance had earned Alberta Social Credit headlines around the world, but it did not constitute a sustainable long term strategy unless the public rallied to Social Credit's side. The report to the Social Credit Board of the previous summer had called for orderly citizens' demonstrations of support for each government assault on Finance. "Finance's" constitutional retaliation against Alberta provided an ideal opportunity to mobilize the people for social credit, not only in Alberta, but elsewhere. In theory, successive confrontations would engage the enemy on an ever-widening front, but, in reality, Alberta's actions had not triggered widespread protests against Finance.

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[128] Ibid., 9 Dec. 1937

[129] Dept. of Public Works, Social Credit Board papers, 68.308, box 1, James broadcast, 23 Dec. 1937

[130] *TT*, 28 Oct. 1937

[131] See Hooke, *30 + 5*, for a copy of the pamphlet.

According to social dynamics, it was Alberta Social Credit's job to mobilize the people. Through the summer and until his incarceration in the fall, George Powell probably directed the League's strategy. In these months, Social Credit continued building coalitions with other progressive groups. Margaret Crang, a Labour member of Edmonton City Council for last 4 years, was nominated jointly by Social Credit and the Labour-Progressive party to contest a provincial by-election in the fall of 1937.[132] *Today and Tomorrow* adopted a friendly attitude to Communist leader Jan Lakeman's candidacy in Edmonton's municipal election. Powell may have hoped to take advantage of the Communists' experience in organizing street demonstrations. After Powell was jailed, Social Credit Board Chairman G.L. MacLachlan probably assumed immediate responsibility for turning the League into a "fighting unit," imbued with the ideas of social dynamics. In his speech before the January 1938 provincial Social Credit convention, MacLachlan urged all Socreders to become "fighters instead of side-line spectators."[133] About the same time, the Social Credit Board approached Jan Lakeman about the possibility of a joint Social Credit-Communist publication that would bear the name of neither organization but work for the "common cause." [134]

The Bankers' Toadies pamphlet had attempted to mobilize greater public support by dramatizing the immediate reach of the conspiracy within Alberta, but Douglas's strategy of naming the conspirators had backfired. In public, the government stood behind Powell.

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[132] *TT*, 30 Sept. 1937; Finkel, *Social Credit Phenomenon*, 50

[133] *TT*, 27 Jan. 1938

[134] Dept. of Public Works, S.C. Board files, 68.308, box 1, Allnut to Jan Lakeman, 1 April 1938. The date was coincidental. Allnut was the head of the publicity bureau and was well-schooled in social dynamics.

Aberhart suggested the wording of the pamphlet was "ambiguous" and that, in arresting Powell and Unwin, the money barons had acted to protect their treasures.[135] The assembly passed a resolution protesting both jail sentences. Justice Ives, who passed sentence on both Unwin and Powell, had earlier ruled the Provincial Securities Act *ultra vires*. When Unwin was finally released and returned to the assembly in March 1938, he was greeted with chants of "For He's a Jolly Good Fellow" and "We want Powell," while the Socred members engaged in a joyous snake dance through the assembly. Whatever Powell's wishes for secrecy, the Bankers' Toadies pamphlet had made him a prominent public figure. Many ordinary Albertans found the pamphlet distasteful, however. In private, the government seems to have used the Bankers' Toadies incident to regain some power from the Social Credit Board. The Alberta Social Credit Act, which created the Board, had left the power to implement the Board's recommendations with the government and its various departments. The government might not give wholesale approval to Board recommendations but its power to modify was always subject to the caucus support it could command. The Bankers' Toadies pamphlet was so outrageous that it appears to have partially discredited Powell, and indirectly, Byrne and Douglas. By December 1937, the Board was registering dissatisfaction with the government for failing to act on its recommendation to increase staffing in the Publicity Bureau, even though the measure had been approved in cabinet and by caucus. Because of the time delays involved, the Board also objected to a requirement that publications of the board be first approved by the Attorney General's department. While the evidence is only suggestive, it appears likely that the requirement for legal review of the Board's publications was instituted following the Bankers' Toadies incident.[136]

Nevertheless, the government still followed most of the Board's advice. The Publicity Bureau had become more active in distributing Social Credit propaganda. In December 1937, the Board approved a new recommendation from Byrne that classes in social dynamics be held to increase the number of individuals available for service to the Board, the Credit Commission, and the departments of government.[137] The classes commenced on 11 January 1938.

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[135] *TT*, 17 Feb. 1938

[136] Social Credit Party papers, M1768, untitled. The document summarizes activities of the Social Credit Board, including a number of motions for the period 7 - 10 Dec. 1937. MacLachlan directed Allnut to send any materials intended for publication about which he had doubts to the Department of the Attorney General (Dept.of Public Works, Social Credit Board files, 68.308, box 1, MacLachlan to Allnut, 29 Dec. 1937).

The January course in social dynamics could train more workers in social dynamics, but Social Credit had to reach a wider audience. Byrne and Powell had successfully indoctrinated many prominent Social Crediters with Douglas's conspiratorial view of history and the tenets of social dynamics. Judging from the concerns and resolutions put forward by local groups, however, the same ideas had only limited influence with the membership.[138] Aberhart captured Social Credit's dilemma in language reminiscent of his pre-election speeches: "until the Christian people make it their business to understand and spread abroad the principles of Christianity, there can be no great success for Christianity or for the church. I am also satisfied that until our people understand the principles of Social Credit and spread abroad the truth of Social Credit ... there can be no great strides to economic freedom and it will be merely ... starts, stops and reverses. People who really know the principles of Social Credit cannot vote for financial monopoly any more."[139] To reach more Albertans, in early 1938 the Publicity Bureau published pamphlets, such as George Powell's "A Sovereign People Demand Results," which provided a short course in social dynamics.[140] In all, the publicity bureau distributed some 500,000 pamphlets between September 1937 and March 1938.[141] In the fall of 1937 and extending through the winter months of 1938, the government also began a series of radio talks by different ministers that interwove explanations of social dynamics with discussion of government policy on such subjects as agriculture, highways, oil, and industry.[142] Ironically, Douglas was accepting Aberhart's strategy of educating the people.

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[137] Ibid. The recommendation followed up on the July recommendation that the government create a Board of Technicians to assist Byrne and Powell at their work (Hugill papers, M544, file 43, "Preliminary Report on the Technical Aspects of the Situation in Alberta," with enclosures, 13 July 1937).

[138] See *TT*, October to December, 1937.

[139] Dinning papers, 70.420, file 4, Aberhart broadcast, Edmonton, 5 Dec. 1937

[140] G.F. Powell, "A Sovereign People Demand Results," (Edmonton: *Today and Tomorrow*, n.d.). The pamphlet also appeared in *TT*, 27 January 1938.

[141] Dept. of Public Works, Social Credit Board files, 68.308, box 1, "Report on the Activities of the Bureau of Public Relations," 31 March 1938

The talks followed a set pattern.[143] The people's needs in a particular area were explained; the way in which the existing financial system blocked progress was demonstrated; the progress that would be possible under social credit was detailed; and the interim measures the Aberhart government had succeeded in enacting, in spite of the handicaps of the existing financial system, were listed. Thus, in one broadcast, Manning pointed out how the existing financial system jeopardized industrial development.[144] In a later broadcast, Manning and Tanner explained the industrial and resource development that would be possible if social credit could be brought in.[145] Then Fallow related how the province's policies were encouraging internal industries.[146] Almost surreptitiously, Aberhart's strategy of building the infrastructure for a social credit economy was re-introduced.

Aberhart's policy of refusing to borrow more monies from Finance's institutions also earned new praise.[147] Balancing the budget, once condemned by Douglas, was now acclaimed by Douglas's lieutenants. Social dynamics taught that the best government was that which governed least. Finance enslaved governments through debt. Most of the radio talks carefully explained the advantage of government programs that did not create new debt.[148] In a typical broadcast, Aberhart praised Cross who was working to fulfil the goal of state medicine. Maynard echoed Douglas's tactic of linking British suicides to Finance when he linked the suffering and death that occurred from preventable diseases to "the phantom of an outworn money system which will not allow the remedy!" Aberhart pointed out that the Money

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[142] Many of the broadcasts are reproduced in *Today and Tomorrow*. Some were later published. See *8 Radio Discussions by Alberta Cabinet Ministers* (n.p., 1938).

[143] For a description of the strategy, see Dept. of Public Works, Social Credit Board files, 68.308, box 1.

[144] *TT*, 24 March 1938

[145] Ibid., 21 April 1938

[146] Ibid., 5 May 1938

[147] See MacLachlan's comments in Ibid., 9 Dec. 1937.

[148] For one example, regarding highways, see Ibid., 10 March 1938.

Barons had lawyers, journalists, and politicians as their allies.[149] In later talks, Cross explained that health insurance was too costly because it reduced purchasing power, and he detailed the programs the government had been able to introduce without incurring additional debt. The theme was developed in the 1938 session, where a new polio bill was termed an "important step in the direction of state medicine."[150] Whether the issue was state health or industrial development, though, the program had to be affordable out of current revenues to warrant the government's support.

The talks suggest some elements of the compromise that was emerging between Douglas's advisors and the government. The war with Finance would rage on. In keeping with social dynamics, political democracy was to precede economic democracy. Political democracy depended on the people being mobilized for results. The success of the government's constitutional stand depended on the backing of the people, but the people were not responding as Douglas hoped. Social Credit realized that to mobilize the people it had to deliver some tangible signs of progress. Douglas had never been adverse to the gradual introduction of social credit in theory. In fact, the schemes for the coal industry and Scotland called for the implementation of social credit on a partial basis. By the time he formulated his scheme for New Zealand, he had become more interested in measures for engaging Finance in battle and that strategy had carried over into his Interim Report for Alberta and his subsequent directions to Aberhart. Now, given the circumstances prevailing in Alberta, he found gradualism acceptable once more. Aberhart's strategy was experiencing rebirth, but with Douglas's grudging approval.

The failure of Douglas's tactic of mobilizing the people to demand reductions in taxation further encouraged gradualism. In the fall of 1937, the government had attempted to shift the burden of taxation from the people to the financial institutions, but the federal government and courts had intervened. The next best alternative was to base taxation on the production of real wealth. With this thinking in mind, in the spring 1938 session, Social

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[149] Ibid., 24 Feb. 1938

[150] Ibid., 24 Feb. 1938

Credit proposed a shift in taxation from specific articles and forms of property to production.[151]

The concept of the production tax actually originated with Douglas's scheme for Scotland. Under that scheme, as Byrne explained during one of his social dynamics lectures, any taxation necessary would consist of a "non-graduated taxation of net income or a percentage ad valorem tax upon sales, or both forms of taxation together."[152] Douglas saw the history of taxation as paralleling the history of the monetary system. N.B. James pointed out that, with the evolution of the money system, taxes were no longer paid in kind but in money; they were no longer based on real wealth but were attached to property, whether or not that property produced real wealth. As governments became indebted to Finance, taxes increased. Producers had to include the taxes in the prices they charged, James explained, but farmers were left at a disadvantage. "Unfortunately, as Alberta farmers are fully and painfully aware, you have absolutely no say as to what prices you shall receive for your product."[153] Of course, taxation decreased purchasing power and therefore deprived the individual of a better standard of living. Manning and Low explained that an increasing amount of taxation was actually going to pay the interest owed to the banks on the public debt. In fact, they contended that the yearly increase in the public debt was about equal to the yearly interest on that debt. The bondholders, consisting mainly of financial institutions, appeared to be using the payments they received to buy more government bonds. The government was trapped because it could not reduce services below depression-level standards.[154]

Social Credit's proposed production tax was to apply initially only to agricultural produce shipped outside local districts, not to farmer to farmer or farmer to local merchant transactions. It was to replace the present municipal tax, school tax, and social service tax, with an overall rate of 7% of production. It was a secular equivalent of a tithe. The part of the production tax that replaced land taxes would be turned over to the municipalities and school districts who would administer that part of the act.[155] The government boasted that the production tax would do away with land taxation. The tax also included an allotment for a form of crop insurance. Tax arrears would disappear because only the real wealth that was produced would be taxed. Of course, a production tax would not be necessary once a full social credit program was in place, but it was a progressive interim measure. The government promised that it intended to apply the principle embodied in the bill to other areas of industry as time passed but admitted it had doubts about the constitutionality of the bill. The Act, therefore, was referred to the Supreme Court and held in abeyance for one year, during which the people of Alberta were invited to express their opinion on the bill.[156]

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[151] Ibid., 21 April 1938. The production tax has not been handled well by historians. Elliott and Miller suggest farmers were hurt by the 7% tax on all agricultural produce (*Bible Bill*, 279n72). In fact, the tax, which did not apply to all sales of agricultural produce, was never implemented. Finkel notes a grass roots' resolution favouring an end to land taxes at the 1938 Social Credit convention but suggests the government never acted on the resolution (*Social Credit Phenomenon*, 49).

[152] "Lecture and Study Course on Social Dynamics, Lecture No. 13, by L.D. Byrne," 9 May 1938

[153] *TT*, 13 Jan. 1938

[154] Ibid., 3 Feb. 1938; contd. in Ibid., 10 Feb. 1938

The production tax proved very unpopular. The Act stated that 7% of production would be vested in the province. The wording was chosen for constitutional reasons according to Maynard but allegations that the tax constituted a form of state confiscation immediately followed. Opponents also charged that the 7% tax actually increased taxation when compared to the combined total of the taxes being replaced. When the government countered that it was providing a form of crop insurance, farmers complained that the insurance would cover the cost of seed only, not other input costs. UFA locals, in particular, complained that the production tax would create additional bureaucracy, ignore profit, and undermine local authorities, which would no longer be able to set their own tax rates.[157] Faced with such overwhelming opposition, the government could only weakly reply that, if the people wanted the tax, their will would be obeyed -- that was why the government had referred it to the people.[158] The production tax was very soon a dead letter politically. It was eventually ruled *ultra vires.*

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[155] *Statutes of Alberta*, 1938, chapter 6, The Agricultural Land Relief Act; *TT*, 24 March 1938, 31 March 1938, 2 June 1938

[156] Dept. of Public Works, Social Credit Board files, 68.308, box 1, "Speech on the Production Tax," by E.C. Manning, 2 June 1938

[157] See the Premiers' papers, 69.289, file 846. If the act had been implemented, it is not clear what the government would have done to make up for lost revenue in a bad crop year.

Other legislation at the 1938 session blended the Douglas and Aberhart strategies, with the former still predominating. The Wild Lands Taxation Act, an Act to Impose a Tax upon Minerals, and various measures aimed at financial institutions and corporations, all, attempted to shift the burden of taxation from land.[159] Debtors were protected in several acts that continued the trend of earlier Social Credit debt legislation. Amendments to the Tax Recovery Act prevented tax sales by municipal districts without the permission of the minister.[160] The Home Owners Security Act prevented mortgage holders from putting debtors out on the street by providing absolute security for farm home owners and increased protection for urban owners.[161] An amendment to Debt Adjustment Act provided a new method for the payment of "old debts" through the Debt Adjustment Board.[162] An amendment to the Limitations of Actions Act required debtors and creditors to enter into an agreement for the payment of debts by 1 July 1940 or any debt incurred before 1 July 1936 would cease to be collectable. The Debt Adjustment Board would act as a referee between the two parties.[163] The Limitations of Actions Act seems to have worked quite well.[164] In case any of the new debt legislation was ruled *ultra vires*, the government's old debt moratorium was repealed and a new statutory moratorium was brought into effect.[165] The passing of a credit union act signalled a renewed interest in breaking Finance's monopoly over credit creation by creating alternate institutions. Credit unions appealed to Social Credit because the members held shares and voted. Social Credit was also sure the money barons opposed the unions. *Today and Tomorrow* soon began a series of articles on the benefits of credit unions which ran for several months. About the same time, *Today and Tomorrow* began to feature articles on co-operatives and how to organize them. The Aberhart government's plan to encourage marketing co-operatives as an alternative to the Finance-controlled wholesale network was re-appearing.[166]

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[158] See Manning's comments in *TT*, 2 June 1938, 9 June 1938.

[159] Mallory, *Social Credit and the Federal Power*, 105; in particular, see *Statutes of Alberta*, 1938, chapter 7, The 1938 Securities Tax Act and chapter 8, The Banking Corporations Temporary Additional Taxation Act; Dept. of Public Works, Social Credit Board files, box 1, "Broadcast," by Solon Low, 7 April 1938

[160] *TT*, 24 Feb. 1938

[161] *Statutes of Alberta*, 1938, chapter 29; .A mortgagor of an urban house had to deposit $2000 to commence legal action (*TT*, 17 March 1938).

[162] *Statutes of Alberta*, 1938, chapter 27, The Debt Adjustment Act, Amendment Act, 1938

[163] Ibid., chapter 28, the Limitations of Actions Act, 1935, Amendment Act, 1938; Mallory, *Social Credit and the Federal Power*, 105; *TT*, 21 April 1938

[164] *Today and Tomorrow* reported that, by the summer of 1938, an estimated 90% of farm mortgagors had reached new agreements (18 Aug. 1938).

The government's legislative agenda was enlarged when, on 4 March 1938, the Supreme Court ruled the Regulation of Credit Act, Accurate News Act, the Bank Taxation Act, and the Alberta Social Credit Act *ultra vires.*[167] The government repealed the Alberta Social Credit Act and passed The Alberta Social Credit Realization Act.[168] The Act reconstituted the Social Credit Board, but, presumably for constitutional reasons, omitted the Provincial Credit Commission and the delineation of how social credit would work. The *ultra vires* rulings further focussed Social Credit's attack on the federal government as the immediate instrument Finance was using to block social credit. Social Credit now reiterated the extreme provincial rights arguments its had first offered before the 1935 election.[169]

Douglas's hope of forcing the constitutional issue by mobilizing the people behind Social Credit still was not working. His first tactic of mobilizing the people for tax reductions had largely failed, and his second tactic of forging links with other progressive groups was bringing, at best, mixed results. In Alberta, the tactic worked when Social Credit's collaboration with the Communists in the March 1938 federal by-election in Edmonton-East led to the victory of Orvis Kennedy. Kennedy's campaign was conducted according to the tenets of social dynamics. Kennedy, running under the slogan Freedom versus Finance, touted himself as a coalition candidate -- the progressive candidate for all progressive people. Jan Lakeman and other Communists worked for Kennedy.[170] Kennedy explained the role of the candidate in a true democracy: "You ask me what my views are on a certain policy. What I am concerned about are YOUR views on that policy. Tell me what you want and I will fight for it."[171] He promised he would work to fulfil the demands of the people, and the people were urged to "Vote Kennedy For Results."[172] The reasons for Kennedy's victory, headlined in *Today and Tomorrow* as "DEMOCRAT DIMES BEAT DESPOT DOLLARS..."[173] were explained by Byrne. First, Kennedy had asked his electors what results they wanted, and, second, he had clarified the issue by pointing out that the disallowance of Alberta's legislation was a denial of democracy. The people had understood that the issue was the choice between "democracy or financial fascism" and demanded the former.[174] Over the coming months, social dynamics dominated election strategy in Alberta.[175]

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[165] *Statutes of Alberta,* 1938, chapter 26, The Postponement of Debts Act Repeal Act; Ibid., chapter 25, The Debt Proceedings Suspension Act; *TT,* 21 April, 1938

[166] *Statutes of Alberta,* 1938, chapter 22, The Credit Union Act; also see *TT* from February 1938 through the fall of 1938.

[167] Mallory contends that the *ultra vires* rulings ended Social Credit's serious attempts to legislate social credit. "Henceforth the emphasis of the Aberhart policy lay in measures to ease the burden of private and public debt on the province, and in extending the party organization beyond Alberta" (*Social Credit and the Federal Power,* 90).

[168] *Statutes of Alberta,* 1938, chapter 4, The Alberta Social Credit Repeal Act; Ibid., chapter 3

[169] See Aberhart and Tanner's comments in *TT,* 28 April 1938.

Social Credit was less successful when it tried to make inroads outside Alberta. Mobilizing the people of other provinces was vital to create pressure on the federal government to allow Alberta's social credit legislation. Early attempts to establish new beachheads focussed on western Canada. A provincial election in Saskatchewan was due before summer, but the election presented several problems for Social Credit. Aberhart was still uncomfortable at the thought of any collaboration with socialists and communists and he resisted overtures for co-operation from the Saskatchewan CCF.[176] Many Saskatchewan residents resented the idea of Alberta political leaders telling them what to do and, though Aberhart kept insisting that Alberta Social Crediters would only go to Saskatchewan in response to the demand of the people, apparently Social Credit judged the demand sufficient. A Western Canada Social Credit Association was established with Aberhart as leader and Manning as chief organizer for western Canada, and Social Credit entered the Saskatchewan election.[177] It fought the campaign according to the principles of social dynamics, attacking the money lords and urging the people to demand results. But the election results were disappointing. Aberhart's method of candidate selection, which was the same as in the Alberta 1935 election, offended and Social Credit did not have the advantage of a strong base of existing support in Saskatchewan. It elected only two MLAs.

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[170] Ibid., 17 Feb. 1938

[171] Ibid., 3 March 1938

[172] Ibid., 3 March 1938

[173] Ibid., 10 March 1938

[174] Ibid., 24 March 1938

[175] See the coverage of the Athabasca by-election in Ibid., 6 Oct. 1938, 27 Oct 1938, 3 Nov. 1938

With the poor showing in Saskatchewan, the appearance of a more determined opposition in Alberta when the People's League reconstituted itself as the Unity Party and held its first convention in June 1938, and the general sense that the public was disenchanted, Alberta Social Credit began to explore new electoral alliances.[178] When W.D. Herridge, the former Canadian minister to Washington and R.B. Bennett's brother-in-law, began criticizing the monetary system, Aberhart praised his "stirring call for national action against money power."[179] Herrridge had not adopted social credit, Aberhart admitted, but he was on the right track and would be supported if he sincerely tried to remedy the present financial system.[180] Soon, articles began to appear in *Today and Tomorrow* criticizing socialism and the CCF as variants of state dictatorship.[181] The concept of Social Credit uniting with socialists and communists, though not renounced, was in decline.

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[176] David E. Smith, *Prairie Liberalism: The Liberal Party in Saskatchewan, 1905-71* (Toronto: University of Toronto Press, 1975), 226, 235; Ken Andrews, "'Progressive' Counterparts of the CCF: Social Credit and the Conservative Party in Saskatchewan, 1935-1938," *Journal of Canadian Studies* 17:3(1982), 58-74

[177] *TT,* 28 April 1938, 5 May 1938. For a copy of the Social Credit Manifesto for Saskatchewan see Ibid., 19 May 1938. The Manitoba Social Credit League later recognized Alberta as its parent body.

[178] Meir Serfaty, "The Unity Movement in Alberta," *Alberta Historical Review,* 21:2(Spring 1973), 1- 9

[179] *TT,* 30 June 1938; Mary Hallett, "The Social Credit Party and the New Democracy Movement: 1939-1940," *Canadian Historical Review,* 47:4(Dec. 1966), 301-25

Immediately following the Saskatchewan election, there were further rulings against Social Credit's legislation -- Social Credit claimed the timing was not coincidental. The 1938 Securities Tax Act and the Home Owners' Security Act were both overturned. The rulings fuelled the Alberta's conflict with Ottawa. *Today and Tomorrow*'s headlines read "**Despot Strikes! Dictatorship Dawns! Nazism Noses In!**"[182] The provincial government was about to respond to the Rowell Royal Commission and Aberhart suggested a conference of premiers as a preliminary to seeking constitutional adjustment.

For months, Douglas had warned that the royal commission was really a gambit to centralize power in the federal government under the control of Finance. In the summer of 1937, Aberhart had written King objecting to the personnel of the commission. He had condemned the participation of Newton W. Rowell for his former connection to the Toronto General Trusts Corporation; John W. Dafoe, for his editorship of the Manitoba Free Press which opposed Social Credit; and Professor Henry Forbes Angus, for his public opposition to Social Credit and position with the Economic Safety League. Furthermore, according to Aberhart, the terms of reference excluded financial reform and threatened a renewal of the loans council proposal.[183] Even with these shortcomings, the Alberta government originally planned to participate in the hearings. To prepare its submission, it employed two economists from Minnesota University, Dr. W.C. Waite, a professor of economics, and Dr. Emerson Schmidt, an associate professor of agricultural economics.[184] Later, Aberhart's plans to submit the brief were overturned by a resolution passed by the backbenchers.[185] The submission, entitled *A Case for Alberta* was presented in August 1938, but to the "Sovereign People of Canada."[186] It consisted of two parts. Part I examined the existing workings of confederation and Part II offered Social Credit's solutions.

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[180] *TT*, 10 Nov. 1938

[181] See the article by 'Vox Pop' in Ibid., 4 Aug. 1938

[182] Ibid., 16 June 1938

[183] King papers, MG26J1, vol. 231, Aberhart to King, 26 Aug. 1937. Also see King's response in Ibid., King to Aberhart, 2 Sept. 1937.

[184] *TT*, 30 Sept. 1937

The Case for Alberta provides a window into Social Credit's constitutional position in the summer of 1938. Some of the Aberhart government's earlier complaints about the federal government's handling of tariffs, freight rates, and monetary policies were expanded and integrated into Douglas's strategy of attacking Ottawa as Finance's primary ally against Alberta Social Credit. The Alberta government made a series of interim recommendations - interim in the sense that they should be undertaken until the fundamental reforms called for in Part II were implemented. The federal government was to assume complete responsibility for a reasonable portion of the provincial debt while the Bank of Canada was to underwrite the balance at 2%, and it was to pay for old age pensions, mother's allowances, and unemployment relief, to increase funding of education, health, and highways, and to revise freight rates. Such expenditures were obviously impossible under the current monetary system. In this sense, *The Case for Alberta* paralleled the tactics Social Credit's radio broadcasts had been employing to show that social credit offered the only solution to Alberta's problems. Part II called for a decrease in taxation and the institution of social credit remedies to overcome the shortage of purchasing power. Part II also attempted to apply social dynamics to the federal system. It argued that the primary civil right of a society was the right to determine policy. Hence, the people of each province must be sovereign regarding policy "as it affects them individually and collectively within their provincial borders." Policy would be decided democratically by the entire Dominion only "when it concerns matters affecting the relationships of the Dominion with other parts of the world." Administration could fall under provincial or federal control. Federal jurisdiction would occur in the relations of the Dominion to other parts of the world and "in all matters which affect each province and in respect of which it has been agreed by each province that Dominion administration is desirable."[187] In other words, social dynamics was incompatible with the shared jurisdiction of the BNA Act.

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[185] Ibid., 21 Oct. 1937. Aberhart reportedly told Rowell that he wanted to present a brief to the commission, but that the caucus would not let him (Margaret Prang, *N.W. Rowell: Ontario Nationalist* [Toronto: University of Toronto Press, 1975], 494-95).

[186] Government of Alberta, *The Case For Alberta,* (Edmonton, 20 Aug. 1938)

The failure of Douglas's strategies for mobilizing the people increased pressures on the government to demonstrate tangible progress towards the fulfilment of its promises and strengthened Aberhart's hand. In July, Manning announced that Byrne was planning a "new offensive," a new interim scheme to give Albertans their own medium of exchange and credit houses or treasury branches. Aberhart warned that Albertans must be willing to accept Alberta credit in change from their storekeepers if the system was to work.[188] With the exception of Byrne's name, the announcement was virtually identical to numerous government statements of 1936.

In September, Byrne put the crowning touches on Social Credit's renewed acceptance of Aberhart's policy of gradualism. To encourage the people to give their backing to the Interim Program the government was about to introduce, Byrne explained that the "law of evolutionary progress governs the matter of changing from a condition of artificial restriction into a highly developed economy of abundance. Although the process can be considerably accelerated by removing artificial restrictions, there is no 'Open Sesame' to sudden and violent change. That way lies chaos." A $25 monthly dividend, together with a price discount on retail purchases and a reduction in taxation were all possible, given the province's current level of development, but "considerable development would have to take place before any very substantial increase could be justified."[189] The Aberhart government's insistence on industrial development as an accompaniment to a social credit economy was about to become a priority once again.

Gradualism was experiencing rebirth. Aberhart and Manning explained that the branch credit houses called for in the Interim Program would be introduced gradually and the people, themselves, would determine the rate of progress: "Remember, if people are not prepared to join hands in cooperative effort to help themselves for the good of each and all, then no one else can do very much for them."[190] Reversing Douglas's insistence of a year before, Social Credit now accepted that an orthodox system and a social credit system could work side by side while the latter gradually gained enough strength to replace the former.

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[187] Ibid., Part II, 48-49

[188] *TT*, 7 July 1938

[189] Ibid., 8 Sept. 1938

The three goals of the Interim Program, according to Aberhart, were to give the people of Alberta the machinery to use their own credit so they could be free from the money monopolists, to increase the purchasing power of consumers, and to encourage Alberta industrial and resource development.[191] The Program established the Alberta Treasury Branch system as an alternative institution to the banks. The government had passed the credit union legislation at the previous session for the same purpose and it continued to encourage Social Credit members to use the credit unions even as it attempted to establish the branches.[192] The accounting system used by the Branches was complex and confusing, partly due to constitutional considerations. The Treasury Branches were houses for the deposit and withdrawal of money, and distribution centres where credit vouchers could be exchanged for non-negotiable transfer vouchers which, in turn, could be used to purchase retail goods from merchants who honoured the vouchers.[193]

In simple terms, the government wanted to discourage public dependence on the cash economy which was controlled by the financial tyranny by substituting in its place a credit economy which would be controlled by the government. Participating merchants had to open a Branch account and pledge to use its services as far as possible. They also had to furnish the provincial treasurer with any statistical information required. Taxes, dues, royalties, and license fees could all be paid to the provincial government using the non-negotiable transfer vouchers.[194] The government hoped to increase purchasing power by having the Treasury Branch reward consumers who used the vouchers according to the value of the Alberta-made goods they purchased. The reward, which was called a bonus, started at 3%. The bonus was literally intended to create purchasing power through bookkeeping, simply by marking the bonus owed in a ledger. Low later termed the bonus a "modest dividend."[195] Since the bonus would only be available when Alberta-made goods were purchased, the Program encouraged Alberta industry. As Aberhart put it: "Albertans must never forget that what Alberta makes makes Alberta."[196]

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[190] Ibid., 22 Sept. 1938

[191] Ibid., 10 Nov. 1938. For two opposed views of the Interim Program, see Bruce Allen Powe, "The Social Credit Interim Program and the Alberta Treasury Branches," (M.A. thesis, University of Alberta, 1951) and Hesketh, Company A, Company B."

[192] See *TT* for the fall of 1938.

[193] For a thorough explanation of the voucher system see Powe, "Interim Program," 84-85. Also see the Legislature Library papers, 74.1, box 9, file 233, "The Interim Programme: An Address of Explanation by Hon. Solon E. Low, Provincial Treasurer, Outlining the Background, Organization and Purposes of the Treasury Branch System in Alberta," n.d. On the merchant's agreement, see Wood papers, 86.125, box 3, file 124, "Retail Merchants and the Treasury Branch Interim Programme," n.d.

The Interim Program subsumed within it aspects of the Aberhart government's earlier attempts to create alternative institutions to the banks while trying to build a social credit economy in Alberta. It established, for the first time, a constitutionally acceptable, viable strategy of gradualism. The people of Alberta could determine the pace at which social credit was accepted.

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[194] Ibid.

[195] "Radio Talk," 30 Sept. 1938, 69.289, file 937A; PAA, 83.353, box 11, "The Interim Programme, An Address of Explanation by Hon. Solon E. Low," n.d.

[196] *TT*, 29 Sept. 1938

Chapter Seven

SOCIAL CREDIT DURING THE SECOND WORLD WAR: BATTLING THE WORLD SLAVE STATE

i

The compromise between the Douglas and Aberhart strategies was only in place a short time, when the Second World War changed the equation. Scholars have generally regarded the Second World War years as providing evidence of the Alberta government's abandonment of social credit.[1] In such thinking, Social Credit's increasing attention to federal politics is interpreted as an attempt by Aberhart to avoid responsibility for failing to implement social credit in Alberta. Social Credit's conspiratorial extremism is usually recognized but considered characteristic of only Aberhart and a few Douglasites. The important change during these years is argued to be the government's acceptance of financial orthodoxy and free enterprise. That change is generally associated with Manning's assumption of power following Aberhart's death in the spring of 1943.

This chapter offers a different interpretation. There was no abandonment of social credit. Gradualism at the provincial level was Aberhart's preference, but had Douglas's blessing. Similarly, taking the attack to the federal level was Douglas's choice, but had Aberhart's endorsation. The transition from Aberhart to Manning made little difference. Social Credit's increasing acceptance of free enterprise began under Aberhart and continued under Manning. Conspiratorial extremism was characteristic of the entire government, not just a few ministers, and steadily increased, reaching its most hysterical pitch towards the end of the war.

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A detailed report given to the government in late 1938 reviewed Alberta's struggle against

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[1] Mallory, *Social Credit and the Federal Power*, 155, 161; Macpherson, *Democracy in Alberta*, 201, 213; Barr, *Dynasty*, 122-30, 163; James G. MacGregor, *A History of Alberta* (Edmonton, 1972), 283-86, 302; Richards and Pratt, *Prairie Capitalism*, 82; Elliott, "William Aberhart: Right or Left?;" Finkel, "Alberta Social Credit Reappraised;" Finkel, *Social Credit Phenomenon*

The Money Power since the backbenchers' revolt and plotted the government's strategy for developing the Interim Program over the coming months. In all likelihood, the report was written by Byrne.[2] The report recalled that, following the backbenchers' revolt, control over credit creation could have been achieved either by forcing the banks to accept a policy dictated by the people or by creating alternative institutions and then driving the banks from the province. To mobilize the people behind the first option, Alberta Social Credit had tried to clarify the issues, reveal the strength of the enemy, and extend the struggle to a wider front so as to put the enemy on the defensive. "Had the circumstances been favorable," the report continued, "these initial steps could have been followed by a smashing offensive," forcing the banks to accept the people's policy, but from a constitutional and a purely military viewpoint that had not been possible. "Other means had to be devised... [to call] into action the army - i.e. the people..." In the meantime, attempts to introduce any fundamental economic reform were premature, since the banks were in a position to wreck such reforms.

As a consequence, the report reasoned, the second option (with its implied gradualism) was the correct military strategy for Social Credit at that time. "Experience has shown that the principle of advancing towards a 'long range' objective by attaining a series of limited objectives which must be gained first is the soundest method to adopt and the one most likely to result in success. This is particularly the case when the strategy and tactics employed must be adapted to changing conditions during the advance - and in the military sphere 'this is an established principle'." The justification for any action, according to the report, was its objective. The strategy, tactics, and organization that were employed had to be directed towards the attainment of the objective. (In other words, the report once again asserted that the expert's choice of methods was not subject to ethical considerations.) To "forge a mechanism through which the attack on the banks could be pursued," the government had developed the Treasury Branch, which could be used to "create a situation in which those opposing The Money Power are progressively rewarded and those supporting it are progressively penalized." The strongest front for such action was in rural Alberta, since urban areas were financial centres. The report explained that other provisions of the Program were designed to provide inducements for co-operation without initially penalizing non-co-operation and to encourage the "deliberate development of provincial resources by inducing voluntary sense of 'Albert[a] First' loyalty in the economic sphere."

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[2] Provincial Secretary papers, 71.441, box 1, file 3a, "Development of Interim Programme," n.d. The document can be dated to late 1938 from internal evidence. Also see Byrne's testimony before the Alberta Public Accounts Committee in PAA, Legislative Assembly Executive Council papers, 64.11, box 8, file 232, "Treasury Branches, Evidence Taken by the Public Accounts Committee of the Alberta Legislature, Session 1943," 25, 26, 29, 30 March 1943. The report used some of Douglas's words and revealed his fear of an imminent economic collapse (see, for instance, Douglas's article in *TT*, 13 June 1938), but Byrne frequently mimicked his leader in this way. Part of Byrne's job was to evaluate the Interim Program, and the report suggested a familiarity with the Alberta government's overall strategy and more specific actions that few individuals other than Byrne would have possessed.

The report implied that, after the Interim Program was strengthened, Social Credit could renew sanctions against the banks to force them out of the province. Time was short. The author believed the North American economic structure could not survive much longer. Finance was working to centralize power in Ottawa and the Interim Program had to be developed "to the point where 'a show down' at the [Alberta] Government's discretion" was possible. The report made several short-term recommendations to increase the momentum of the Program. More money had to be spent to upgrade Treasury Branch administration and facilities and the number of branches had to increase to 13 by mid-January, 30 by mid-April, and 50 by mid-July. That would ensure that virtually every major rural centre was served. Government accounts ought to be transferred to the Branches (immediately if possible), resulting in a total deposit of about $3.5 million. Finally, a mechanism had to be developed to break the bottleneck which had already developed at the wholesale level and assure a supply of imported goods. The report recommended that the government consider sending a Trade Commissioner to Great Britain with powers to negotiate the exchange of wheat and oil for manufactured goods, although absolute secrecy was necessary. To prevent finance from discovering the government's plans, the report advised that the "purpose of the appointment and of the journey" be camouflaged.[3]

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[3] Provincial Secretary papers, 71.441, box 1, file 3a, "Development of Interim Programme," n.d.

The government acted on most of the report's recommendations. The Interim Program had been introduced amidst considerable fanfare, and, through broadcasts, pamphlets, and news releases, the government continued to urge the public to use the Treasury Branch.[4] MLAs toured the province, while, at the constituency level, Social Credit groups worked to sign up local merchants to support the Interim Program and lobbied either the acting Branch superintendent, A.K. Olive or Aberhart to have a Branch or agency located in their town. Some requests were channelled through local chambers or boards of trade.[5]

To induce a sense of "Alberta First" loyalty the government relied on the bonus and again encouraged the development of Alberta industry. As before the backbenchers' revolt, Aberhart explained that the less Alberta needed to import the less it had to rely on cash. Buying Alberta made goods with bankers' money was not enough. The public had to support the Branch and use the vouchers.[6] *Today and Tomorrow* commenced a new series of articles boosting Alberta-made products. Socred MLA Floyd Baker travelled Alberta with a slide show depicting Alberta industries. By the end of 1939, he had given more than 225 lectures.[7] The government also lobbied businessmen to support the program, in the process, adopting the kind of arguments it believed would appeal to businessmen. George A. Clash, head of the provincial marketing board, stressed that government economies would offset the cost of the bonus and that industrialization would reduce relief costs. According to *Today and Tomorrow*, "Mr. Clash envisioned a situation whereby the entire business set-up of the province -- from manufacturer to wholesaler to retailer to consumer -- would use the treasury branch's 'transfer vouchers' to transact its business affairs, instead of dealing through banks."[8] The Branch was not competing with the banks, which Clash insisted were co-operating fully. He termed the Interim Program "a business plan, devised to aid the businessmen. We want it to be entirely divorced from politics, and it will be as far as we are concerned."[9]

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[4] For one example of a radio play, see PAA, Alberta Social Credit League papers, 83.353, box 11, "An Outline of the Interim Program Explaining how it works to your advantage," n.d.; also see Hooke, *30 + 5*, 148; Powe, "Interim Program," 70-72.

[5] For instance, see the Premiers' papers, 69.289, file 937a, for Vegreville area lobbies.

[6] *TT*, 13 Oct. 1938

[7] Ibid., 21 Dec. 1939

[8] Ibid., 13 Oct. 1938

The government also followed through on some of the report's more specific recommendations. For now, the executive council agreed to transfer departmental accounts from the chartered banks in the various towns where Treasury Branches existed.[10] It also inaugurated a vigorous expansion program for the Branch. By the summer of 1939, the system had ballooned from 5 Branches to 22 Branches and more than 280 agencies. Most were located in rural centres.[11] While the number of full-scale Branches was lower than called for in the report, the expansion was nonetheless remarkable.

In spite of the government's support, the Interim Program was beset by problems in its first months. Such rapid expansion probably made organizational confusion inevitable, and Social Credit MLAs in consultation with the Social Credit Board initially selected some Branch managers and agents, who seem to have had political credentials superior to their banking qualifications.[12] More seriously, as the report to the government had suggested, retailers and wholesalers who purchased outside the Alberta market would not honour transfer vouchers. Finally and most importantly, the public did not entirely trust the vouchers or the bonus system. As early as October 1938, as business opposition to the Interim Program mounted, Aberhart lamented that, if Social Credit's supporters "would show a little initiative and not have to be rounded up so carefully" when the money barons attacked, the government "would certainly be able to make better headway."[13]

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[9] See Clash's comments to the South Edmonton Businessmen's Association carried in Ibid., 8 Dec. 1938.

[10] At the time, the towns included St. Paul, Andrew, Grande Prairie, Killam, Rocky Mountain House, Calgary, Medicine Hat and Coronation. Provincial Secretary papers, 71.441, box 1, file 3a, Manning to Mr. H.J. Woodman, Secr., Department of the Provincial Treasurer, 6 Dec. 1938

[11] See *TT*, 15 June 1939 for a map of locations.

[12] The ASCL first suggested that the MLAs pinpoint possible candidates with banking experience in the spring of 1938, when it was feared that the banks would pull out of Alberta, but Supt. Olive was never very pleased with the banking expertise of many of the managers who were chosen. Premiers' papers, 69.289, file 937a, "G.L. MacLachlan to Aberhart," 6 June 1938; Ibid., file 938b, "Olive to Percival," 30 Jan. 1945

To broaden its attack on Finance and overcome the problems the Interim Program was encountering, the government further expanded the Program. On 1 September 1939, the government broke Finance's "monopoly" over insurance by opening an Alberta Government Insurance Office. Initially, it offered only fire insurance.[14] The government also passed the 1939 Alberta Marketing Act and under its authority established a Provincial Marketing Board. The Board was to help local businesses reduce operating costs by pooling purchase orders to take advantage of bulk buying and lower freight rates. It was also to give leadership and direction to orderly marketing, supply consumers with access to Alberta-made goods, and encourage their purchase. Finally, under the terms of the Act, the Board could engage in any form of business to provide "producers, manufacturers, distributors and consumers in the Province with the means of buying and selling goods, wares, merchandise and natural products at a price which is fair and equitable..." The act marked yet another return to the strategies the Aberhart government had proposed before the backbenchers' revolt. Douglas, of course, had vetoed the government's earlier marketing legislation in the spring of 1937.[15] At the same time, the government established its own purchasing board to pool departmental orders when savings could be made and to seek out Alberta-based suppliers.[16] Clash, the head of marketing board, was also in charge of the government purchasing agency.[17] Consolidation of the various departmental purchasing departments was undertaken by Abe Shnitka, the King's Printer.[18] Under Clash's direction, the government commenced a new Made-in-Alberta support campaign that included trademarks for Alberta-made goods produced by businesses participating in the Interim Program.[19] A directory of Alberta-made goods was also prepared for distribution to Alberta retailers and wholesalers.

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[13] *TT*, 13 Oct. 1938

[14] *Statutes of Alberta*, 1939, chapter 8, The Government of Alberta Insurance Act. See *TT*, 31 Oct. 1940 for a glowing summary of the Office's first year of operation.

[15] *Statutes of Alberta*, 1939, chapter 3, Alberta Marketing Act; on the powers of the Board, see Manning's letter of explanation to the Calgary Board of Trade reproduced in *TT*, 6 April 1939. Also see Ibid., 8 June 1939. Finkel argues that the establishment of the Marketing Board demonstrated Social Credit's reawakened interest in the just price and willingness to consider a "giant leap to the left" ("Alberta Social Credit Reappraised," 75; *Social Credit Phenomenon*, 44-45).

[16] *Statutes of Alberta*, 1939, chapter 7, The Alberta Government Purchasing Agency Act

[17] *TT*, 4 May 1939

The Marketing Act's provisions for engaging directly in manufacturing were to be used mainly if wholesalers were unable to acquire Alberta-made goods or other goods at reasonable prices. Such problems were considered more likely when conditions of monopoly obtained. The Act was soon criticized by business lobbies, which claimed the competitive system already secured goods at the cheapest possible price and expressed concerns that prices to consumers would go up, reflecting the increased taxation needed to offset the costs of setting up manufacturing plants.[20] The government tried to clarify its position. *Today and Tomorrow*, for instance, insisted that the Interim Program was not seeking "to make Alberta self-sustaining to the exclusion of all imported manufactured goods but it does aim at applying common sense to the problem of developing local industries..."[21] By the summer of 1939, in order to break a perceived monopoly in replacement parts for agricultural machinery, the Board had acquired rights to manufacture some parts for repair purposes and had leased distribution centres in Edmonton, Calgary, Red Deer, and Lethbridge.[22] Manning claimed farmers would save 15 to 35% by using the government's facilities.[23] Over 25,000 parts for 540 types of machinery repair were available. Clash stressed that the government was not seeking to deprive implement dealers of business but to force the manufacturers to bring their prices down. The Board would only engage in manufacturing when the ultimate consumer was not getting a square deal. The problem was that, until foundries were established, the government would have to obtain the parts through bulk buying or by substituting wooden parts.[24]

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[18] Ibid., 9 Jan. 1941

[19] See Ibid., 8 June 1939 for a list of Alberta-made goods.

[20] See the Canadian Manufacturers letter of 15 March 1939 to Aberhart in Premiers' papers, 69.289, file 827.

[21] *TT*, 8 June 1939

[22] Ibid., 27 July 1939

[23] Ibid., 10 Aug. 1939

The difficulty establishing foundries recalled the problem identified in *The Case for Alberta* the previous summer. That document had argued that Alberta's enormous untapped energy and natural resources rendered it ideal for industrial development -- the only thing missing was iron for heavy industry. If iron ore could be found, *The Case for Alberta* predicted "the proximity of such vast power resources would render it economic to attract the heavier industries to the Province rather than to send out the energy supplies to eastern points where, in the main, industrial production is centred at present."[25] Previously, the government had suggested the province's resource deficiencies could be overcome by enlarging the size of the economic unit. Now, it returned to that suggestion and argued the province's lack of iron ore could be overcome by annexing the Great Bear Lake region of the Northwest Territories where recent discoveries indicated significant amounts of iron, copper, and tin.

In a February 1939 speech, W.A. Fallow, the public works minister, tried to make the case that the Great Bear region properly belonged to the people of Alberta. The boundaries of Manitoba, Ontario, and Quebec had all been extended, and British Columbia was hoping to annex the Yukon. He wanted equal treatment for Alberta. He noted the province was about to push ahead with a "major" road construction program to create supply routes linking Athabasca and Grande Prairie-Peace River to the North. In the best tradition of boosterism, he declared, "we believe, in fact we already know, that there will be sufficient traffic to keep both routes busy, and with so much natural gas and coal at our disposal so close to the mines themselves it is easy to visualize the day when Edmonton, Grande Prairie and Peace River may be vying with each other for supremacy as the Pittsburgh of the

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[24] Ibid., 17 Aug. 1939

[25] Government of Alberta, *The Case for Alberta*, Part II, 10-11

Prairies."[26]

Shortly after, the Alberta legislature approved Fallow's resolution favouring annexation and directing the provincial government to commence negotiations with the federal government. With the Territories's resources, Fallow insisted, "we should be entirely independent of any other country for our manufactured products of iron and steel." Alberta could produce everything from "bustles to battleships," and Edmonton, as gateway to the north, would become one of the two most important cities in Canada.[27] He now gave first priority to the Peace route and called for the construction of a "highway of the mid-night sun" to run from Grimshaw north to Great Slave Lake.[28] In April, Aberhart wrote King about the extension of Alberta's boundaries.[29] Already, the Alberta government had come to an agreement with the federal government for some work on the Peace River route and construction started on a winter road from Notikewin to Great Slave Lake in January 1939.[30]

At the time the government was developing plans for the north, it was also meeting with the federal finance minister regarding debt refunding,[31] and it was involved in a bizarre scheme that would have seen Fallow's dream of a roadway connecting Alberta with the Northwest Territories linked to the construction of a highway to Alaska, possible development of the Athabasca tar sands, the refunding of the provincial debt, and the establishment of a provincial bank controlled by Social Credit. Jack James Sousa, a Los Angeles businessman, had offered, in early 1938, to negotiate the refunding of Alberta's debt at a reduced interest rate and to build a highway to Alaska in return for certain concessions. Byrne suggested the government offer the syndicate access to surfacing materials from the Athabasca tar sands, the right to charge tolls at rates determined by the province for using the highway, a monopoly of gasoline sales along the highway, and the collection of provincial taxes on any such sales. Most of the proposed concessions would last until the complete cost of the highway, including 4% interest per year, was paid.[32] The syndicate was apparently to deposit $20 million to cover the costs of building the highway.[33]

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[26] *TT*, 2 Feb. 1939

[27] A complete text of the 29 March 1939 resolution and much of Fallow's accompanying speech can be found in Ibid., 30 March 1939.

[28] Ibid., 30 March 1939

[29] NAC, King papers, MG26J1, vol. 263, 223247-9, Aberhart to King, 15 April 1939; Ibid., vol. 263, Aberhart to King, 20 April 1939

[30] *Peace River Record*, 13 Jan. 1939. My thanks to Bob Irwin for sharing his research on this issue.

[31] Provincial Secretary papers, 71.441, box 2, file 4g, Low to Hon. J. Ralston, Minister of Finance, cc. E.C. Manning, 24 Oct. 1939

The syndicate was also supposed to arrange the refunding of the provincial debt amounting to some $143 million and provincial Savings Certificates worth some $7 million at a new interest rate Byrne hoped to see pegged at 2%. Alternatively, at the discretion of the syndicate, the interest payments could be waived and free supplies from the tar sands could be taken instead.[34] On 31 May 1938, the province actually signed an agreement with Sousa regarding the debt refunding proposal.[35] A letter from Aberhart to Sousa, written the same day, reviewed a separate proposal, which had obviously been discussed in detail previously, for Sousa to seek a bank charter from the federal government. He was eventually to deposit $5 million as working capital for the bank, and, in return, the Alberta government was to issue bonds in the amount of $5 million at 2% and have the option of running the bank, itself, if it so chose.[36] Social Credit wanted a provincial bank because it could speed up the Interim Program by overcoming the presumed limitations of the Branch regarding such matters as lending money.[37]

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[32] Premiers' papers, 69.289, file 981, L.D. Byrne to Aberhart with enclosures, 19 April 1938

[33] Ibid., file 981, "Re press clippings in connection with Mr. Sousa," 4 March 1940

[34] Ibid., file 981, Bryne to Aberhart, with enclosures, 19 April 1938

[35] See Ibid., file 981 for a copy of the agreement.

[36] Ibid., file 981, Aberhart to Sousa, 31 May 1938

[37] *TT*, 22 Feb. 1940, 29 May 1941; Legislative Assembly Executive Council papers, 64.11, box 8, file 232, "Treasury Branches, Evidence Taken by the Public Accounts Committee of the Alberta Legislature, Session 1943," testimony of L.D. Byrne, March 1943

Social Credit began to have problems with Sousa's scheme when, to assist in formulating a refunding plan for the province's debt, he asked Aberhart's permission to involve the second most powerful investment house on Wall Street, and one that already was the primary underwriter of some of the government's bonds in the American market. The firm, Kuhn & Loeb, was often identified by Douglas as part of the financial conspiracy. The possibility that Kuhn & Loeb would be involved did not immediately scotch the deal, however. The government understood that the provincial debt was owed to Finance and that, eventually, it would have to give Finance its pound of flesh in order to be free. But Kuhn & Loeb's involvement certainly alerted Social Credit to the potential dangers of Sousa's scheme.

Kuhn & Loeb made its own participation conditional on a study being made of the financial prospects of Alberta and on the separation of the Alaska highway negotiations from the debt refunding negotiations. It recommended that Jacob Viner, the noted Chicago economist, undertake the financial study. Aberhart warned that negotiations had to lead to a lower interest rate on the provincial debt or there was no point in proceeding, but he accepted both Kuhn & Loeb's involvement and its recommendation of Viner, who had apparently done some work on the *Case for Alberta*, with the condition that if Viner's report proved unacceptable the government could simply abandon the negotiations.[38]

The Viner Report of 22 August 1939 provided a realistic view of the province's potential for economic growth in the days before the Leduc oil discoveries. Viner was generally pessimistic about the future of the Alberta economy. He predicted Alberta's wheat economy would continue to suffer due to the combination of reduced continental European imports and the increased wheat-exporting capacity of the United States, Australia, Argentina, and the rest of Canada. There were no appreciable signs that the province was successfully developing alternatives to its dependence on wheat. There was no measurable statistical trend toward increased industrialization[39] Perhaps most discouraging was Viner's estimation of the Province's ability to change conditions. Most factors which significantly affected the ability of the Province to meet external obligations, such as changes in productive technique, financial relations with the Dominion, external market conditions for Alberta products, and tariff, monetary, and freight rate policies, were beyond the control of the provincial government.[40] To meet provincial debt payments, Viner recommended a $1 million increase in provincial income tax revenues.

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[38] See the correspondence regarding Kuhn & Loeb's involvement in Premiers' papers, 69.289, file 981; *TT*, 27 April 1939.

Viner had contradicted the potential for manufacturing, outlined in *The Case for Alberta* and in the government's own publicity campaigns. The Viner Report's implications for Social Credit were mapped out by Byrne in October 1939. Byrne objected to Viner's orthodox approach to economics and criticized sections of the report dealing with the government's ambitions for a highway to the north and the industrialization of the province using the Territories's resources. In fact, the Report deprecated the potential of the province to such an extent that Bryne believed publicizing it would have a damaging effect on the government. In arguing that the Report should be shelved, he drew special attention to the implications of Kuhn & Loeb's involvement. "Acceptance of the Report and its recommendations," Byrne argued, "would be fatal. There seems little doubt that the nature of the recommendations was decided in a certain New York office, and the report has been prepared to justify these in as attractive and plausible a light as possible."[41]

Aberhart needed no further warning. The Report was forwarded to Kuhn & Loeb but not released to the public. Negotiations with Sousa regarding debt refunding and the building of an Alaska highway seem thereafter to have stalled, although there is some evidence that

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[39] Jacob Viner, "The Debt Problem of the Government of the Province of Alberta: A Report Submitted to the Provincial Treasurer by Jacob Viner, Professor of Economics, University of Chicago, August, 1939," 100-01. The Alberta Legislature Library has a copy of the report.

[40] Ibid. 77-78

[41] Premiers' papers, 69.289, file 981, Confidential, Byrne to the Hon. Solon E. Low, 6 Oct. 1939

Sousa's scheme was not yet dead.[42] In any case, by the time Byrne forwarded his recommendation, the justification for the construction of a highway linking Alberta with the resources of the Northwest Territories had changed because of the start of the Second World War.

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The Second World War overwhelmed other events. War news dominated every aspect of life, including, of course, the government's efforts to keep public attention focussed on social credit. The war also undermined Social Credit's strategies for mobilizing the public against Finance and for the Interim Program.

In spite of obvious signs of support for the war, Social Credit was accused of disloyalty. Five days before Canada declared war, the Alberta legislature passed a resolution calling on Canada to do everything in its power to give effective aid to Britain. After the war started, Social Credit repeatedly urged Canada to engage in all-out war to defeat Germany. In the reserves, Ernest Manning had a commission in the Edmonton Regiment and Attorney General Lucien Maynard was a gunner in the 2/61st Battery, Royal Canadian Artillery. Both undertook military training at Sarcee Camp.[43] The government passed legislation that exempted soldiers from municipal property taxes and from legal actions on taxes previously owed. It also provided leaves of absence for civil servants to enlist, with guarantees of re-employment at the end of the war.[44] To understand why questions about the government's loyalty were nonetheless raised requires an examination of Social Credit's complex reaction to the war.

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[42] It is possible that Fallow still referred to the Sousa scheme when he informed Arctic explorer V. Stefansson of financial proposals from groups in Canada and the U.S. to build the Alaska highway in return for free right of way, bridge timber, other road building materials, and collection of gasoline taxes (PAA, Department of Public Works, W.A. Fallow papers, 68.307, box 72, Fallow to Stefansson, 27 Sept. 1940). Solon Low also referred to a plan for building the Alaska highway that included provisions for the refunding of Alberta's debt (*TT*, 6 March 1941).

[43] Ibid., 21 Aug 1941

[44] *Statutes of Alberta*, 1940, chapter 4, An Act for the Relief of Persons Serving in the Present European War; Ibid., 1940, chapter 5, The Alberta Civil Servants War Service Act

The government's understanding of the war was strongly influenced by Douglas's conspiratorial explanations of history. By the 1940s, Douglas's views had calcified into a hard-edged conspiratorial extremism and anti-Semitism. In his mind, the disallowance of the Alberta government's legislation, the financing of Hitler, the emasculation of Britain, and Europe's slide into another world war, all, proceeded from a single policy and a single source. The external war against Hitler and the internal war against financial dictatorship were different aspects of the same single struggle. War increased debt, forced centralization, and placed man at the mercy of institutions. The chief Promoter of the conflict was still Finance, but Douglas was almost equally concerned by the actions of Finance's allies, organizations like the London School of Economics which propagated socialism, communism, and the other "isms." As Douglas had known for some time, the goal of the enemy was pyramidal centralization. Increasingly, he directed his tirades against Totalitarianism rather than Finance and identified Jews as the Promoters. "Collectivism, economic and political," he wrote, " is the policy of the Supernatural Forces. Its fundamental objective is the Slave World, ruled by a Praetorian Guard in the employ of a Ruling Race." The International Jew was at war with Britain and its culture.[45] Douglas' anti-Semitism and its impact on Alberta Social Credit will be examined in the next chapter.

Alberta Social Credit's leaders may have thought they could isolate Douglas's anti-Semitism from his conspiratorial extremism. As early as 1937, Aberhart interpreted the struggle as pitting Christianity against Paganism. For Aberhart, religious beliefs based on the prophecies reinforced Douglas's explanations. Fundamentalists saw the rise of totalitarian nations adopting pagan beliefs and the increase of anti-Semitism as signs of the approaching end of times.[46]

In keeping with Douglas's understanding of war, Social Credit was concerned that the present conflict would saddle Canada with an enormous public debt and further entrench the financial dictatorship. Accompanying the legislative resolution calling on Canada to give aid to Britain, therefore, were other resolutions demonstrating that, in Social Credit's understanding, a maximum war effort required the introduction of social credit, including price regulation to prevent "vicious profiteering," and the conscription of material and financial resources before the conscription of manpower. In fact, Alberta established its own price spreads board to co-operate with the federal government.[47] The call for conscription of wealth was not new. It had been part of Social Credit's platform since Orvis Kennedy's by-election campaign in Edmonton East in the early spring of 1938. Aberhart had specifically called for the conscription of wealth in the event of war in September 1938.[48] Social Credit's doubts about the war were again reflected at the party's 1940 provincial convention. There were no resolutions of support for the federal government's war policy, though one resolution did call for the federal government "to fully cooperate with the people ... in their War effort, by making available the necessary finances to carry on." Another resolution condemned the federal government's borrowing policies while another criticized the profit basis of the current restricted war effort.[49]

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[45] Douglas, *Big Idea*, 57; Douglas, *Programme for the Third World War*

[46] *Prophetic Voice*, 1:1(July 1942), 2, 4; Ibid., 1:3(Sept. 1942), 2; Ibid., 1:4(Oct. 1942), 3-4. My thanks to David Elliott for providing me with copies of the *Prophetic Voice*.

Given its understanding of the war and its grave doubts about Canada's war policy, Social Credit faced a dilemma in deciding whether or not to continue its campaign for social credit. That campaign, as mentioned, was based on Douglas's original strategy for Alberta and Aberhart's strategy of gradualism. In practice, the former strategy had meant Social Credit attacked the federal government at every opportunity. As Finance's puppet, the King government had been blamed in the months before the war for breaking its "promise" to let Alberta try social credit, discrimination in road grants, ignoring Aberhart's pleas for an additional subvention on coal, low wheat prices, protective tariffs that contributed to the high costs of farm machinery and radio tubes, and for disallowing Alberta's legislation.[50]

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[47] King papers, MG26J1, vol. 263, Aberhart to King, 6 Sept. 1939; Legislature Library papers, 74.1, box 9, file 234, "Radio broadcast by Premier Aberhart, Thursday, Sept. 14, 1939;" *TT*, 7 Sept.1939, 14 Sept. 1939, 21 Sept. 1939

[48] Ibid., 3 March 1938, 22 Sept. 1938

[49] See Nichols papers, M900, box 3, file 88 for the minutes of the 1940 convention.

[50] *TT*, 16 Feb. 1939, 16 March 1939, 23 March 1939, 30 March 1939, 27 April 1939

Accompanying these attacks were speeches and legislative resolutions calling on the King government to establish such measures as a base price of $1 per bushel of wheat and old age pensions of $1 per day.[51] Of course, such expensive measures were only possible if social credit was introduced.[52] Social Credit's constant attacks had prompted rumours that Alberta would seek secession from Canada. The visit of the King and Queen in the summer of 1939 had provided a welcome opportunity for Social Credit to dispel such rumours, in addition to gratifying Aberhart's personal fascination with British royalty. As Aberhart had explained at the time: "The Alberta government and the Alberta people are not striving for a disloyal breaking up of Canada or any part of the British Empire. We are only anxious to gain for our people the true democratic freedom and economic security which we can find only under the British flag and British constitution."[53] Provincially, the campaign for social credit had focussed more on support for the Interim Program. Since patronage of the Branch was voluntary, the Interim Program was the perfect instrument for allowing the people to determine the rate of progress towards social credit.[54]

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[51] Ibid., 16 March, 1939, 23 March 1939

[52] See Aberhart's letter to King regarding the legislature resolution that the federal government establish an Old Age Pension of $1 per day for citizens over 60 years of age and pointing out that, if additional money was needed, it could be created debt-free and interest-free by applying social credit economics (King papers, MG26J1, vol. 263, Aberhart to King, 27 March 1939).

[53] *TT*, 8 June 1939

[54] See the testimony of Byrne before the Public Accounts Committee in 1943. In response to a question asked by Manning ("Would you make clear to the Committee the difference between the Interim Programme and Treasury Branches as compared with a state that was operating under a Social Credit economy?"), Byrne replied: "Yes. . . the essential difference would be this, that the purpose of establishing the Treasury Branches is a means of referring back to the people the issue which was raised as to who would control the credit resources of the people of the Province. You are placing at their disposal an institution which will enable them progressively, if they make use of it, to gain increasing access to their ability to produce and use goods and services." It was a means to achieve the end of a fully functioning economic democracy (Legislative Assembly Executive Council papers, 64.11, box 8, file 232, "Treasury Branches, Evidence Taken by the Public Accounts Committee of the Alberta Legislature, Session 1943," testimony of L.D. Byrne, March 1943). Much of Byrne's

Wartime patriotism challenged the propriety of attacking Ottawa at the same time as wartime production and federal controls over the economy undermined the Interim Program. Social Credit resolved the dilemma by claiming that it would put the struggle for social credit on the backburner until the war was won. For a time, it more or less lived by this commitment. The struggle was not given up, but efforts towards social credit were muted and criticisms of the King government were reigned in or at least phrased in terms of maximizing the war effort by implementing social credit. Social Credit still hoped for a breakthrough in federal politics and it now formalized its links with W.D. Herridge and formed the New Democracy movement.[55] Social Credit MPs styled themselves New Democracy representatives, but it was a listless arrangement and soon lost the full backing of the Alberta government. At the provincial level, support for the Interim Program with its strategy of building the provincial economy was urged as the best way to increase the contribution that Alberta could make to the war economy. Expansion of the Interim Program actually carried over into the first couple of months of the war. By October, the number of branches and agencies had increased to 330.[56] Then, the war stalled further expansion, and, as time passed, began to rob the system of management candidates. Over time, the combination of wartime production and rationing progressively undermined the Branch's economic policies which were based on insufficient purchasing power and an Alberta preference.

Perhaps more importantly, the Branch was not receiving the kind of public support the government anticipated. For the Interim Program to work, Social Credit had to establish public faith in the Branch. Dr. J.L. Macpherson, Vegreville Socred MLA, expressed the government's frustration as early as the spring of 1939 in an address to a Holden Social Credit group: "The financial system of today is your master and not your servant. We must

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testimony was later published in the pamphlet "Alberta's Treasury Branches, Their Purpose and their place in the Provincial Economy" (Legislature Library papers, 74.1, box 9, file 232).

[55] On New Democracy, see Hallett, "The Social Credit Party and the New Democracy Movement," 301-25

[56] *TT*, 12 Oct. 1939

get control of our medium of exchange. The Treasury Branches can do all the banks do for you, except giving you loans... Money is faith. Paper money is purely a matter of confidence. Why do people stick to the present money?"[57] Macpherson thought it was just a matter of habit, but there were other reasons. The public still did not trust the Branch, and its bookkeeping system with bonuses and vouchers was incredibly cumbersome.[58]

The government's problem in rousing public support for the Branch was symptomatic of a general decline in grass roots support for Social Credit. Alvin Finkel attributes Social Credit's loss of activism at the grass roots level to the exit of left-inclined members as the party drifted to the right of the political spectrum.[59] As Finkel, himself, points out, however, Social Credit was better thought of as a loose coalition of groups. Individuals became involved in Social Credit for different reasons and they left for different reasons as well.

Some members left because Social Credit had lost some of its original radicalism. Much of that radicalism came from the dramatic role Social Credit envisioned for the state in forging reforms. As discussed earlier, both the Douglas and Aberhart versions of social credit relied on the ability of the state to monetize productive capacity to redistribute the ownership of the means of production. The active state appealed to individuals on both the left and right of the political spectrum. Following its victory in 1935, when Alberta Social Credit was unable to find the constitutional means to monetize productive capacity, the role of the state shrank. When public support was lacking for the government's prosperity program and gradualism was fully endorsed, the role of the state again shrank. The people would determine the rate of change to social credit, or, put another way, the state would be as active as the people demanded. The measures accompanying Aberhart's policy of gradualism – no borrowing, a balanced budget, and building the Alberta economy, with the concomitant need to co-operate with Alberta business and seek outside investment -- all contributed to Alberta Social Credit's declining radicalism.

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[57] Ibid., 1 June 1939

[58] See Powe, Interim Program," 84-85.

[59] Finkel, *Social Credit Phenomenon*, chapter 3-4

With the backbenchers' revolt, the government's understanding of the role of the state passed under Douglas's influence. Aberhart's just price, which appealed particularly to left wing members was lost, with membership dissatisfaction channelled into a royal commission investigation of the oil industry. The terms of reference allowed the commission to investigate price spreads and the takeover of wholesale and retail sales of petroleum products. In the short term, Douglas's influence was most noticeable in Social Credit's extravagant, almost hysterical avowals that it was at war with Finance. Social dynamics's insistence that the people leave the choice of methods to experts discouraged the participation of the grass roots in seeking solutions to their own problems. At the same time, social dynamics taught that it was up to the people to mobilize themselves. Individuals had to accept responsibility. Even the hiring of an organizer for the party had been opposed because it would have detracted from individual responsibility. In late 1937, one worried Socreder tried to explain to the Social Credit Board why there were so few with burning social credit fervour still active in the his Rosenthal group: "There are more people here than ever who are behind the S.C. principles, but there are certain things that none of us like. We don't want Alberta turned into a second Spain, and every time that you fellows spout about 'fight' and 'take up arms' we are against you... I thought until lately that the speakers meant verbal fights, or resisting propaganda, but when the expression 'take up arms' hits my ear, I could hardly believe it." He warned, "if the worst ever comes to the worst, the people will first go to get the ones who started the trouble... " It was fine to talk "about each of us being active and doing our share. That is just the point. What in --- do you want us to do? We wasted days of our time getting people to 'register', we subscribe to broadcasts, we prepared to build Credit houses at our own expense, we signed pledges, etc., etc., and just when we are expecting results, we find that you are off on another tack and are trying something else, without a word of explanation as to what happened to the last thing."[60]

In the longer term, Douglas's influence, exercised particularly through Byrne's tutoring of the cabinet on social dynamics, resulted in a greater emphasis on the individual and the dangers of the active state to the individual's sovereignty. Social dynamics taught that government is best which governs least.[61] Government bureaucracy could be reduced by decentralizing administrative authority. Consequently, when gradualism was reasserted within Social Credit by the fall of 1938, the role for the state had shrunk further. With the introduction of the Interim Program, Social Credit finally established a viable policy of gradualism. The people truly could determine the pace of change and many who had looked to Social Credit as a vehicle for reform were disenchanted.

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[60] Dept. of Public Works, S.C. Board files, 68.308, file 1, file 7, Glen Carmichael, Stony Plain, to S.C. Board, 8 Dec. 1937

Concerned by declining membership activity and the approaching necessity of a provincial election, the League had begun mustering its troops in early 1939.[62] Such concerns can only have grown with the start of the war and the end of the depression, as more and more supporters left to be soldiers or volunteers, or to seek new employment opportunities created by the war. Aberhart timed the 1940 provincial election to coincide with the federal election. He explained that the provincial election would allow the Alberta people to voice their views on the Interim Program and on Alberta's application for a bank charter, which the federal election call had delayed.[63] His real reason for calling the election at that time, however, was to embarrass the Liberal and Conservative parties, which co-operated in the hope of defeating Social Credit provincially, but opposed one another federally. Aberhart compared the provincial union of the Liberals and Conservatives to the fusion plot that saw

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[61] When Byrne's social dynamics students were asked to explain the role of government, the answer Byrne regarded as best was: "Governments are servants, at the mercy of the individuals in association, and as such, should do no more than administer, through the pyramidal organization, the policy of the people. Government, ever seeking the most efficient methods of getting that which the individuals in association desire should tend to govern less; for the easier it is for the individual to achieve his desires, the less governmental restriction is needed." The answer was H.D. Carrigan's, a sometimes contributor to *Today and Tomorrow* (Wood papers, 86.125, box 3, file 124, "Alberta Social Credit Board [Educational Section], A symposium of answers to the questions of the open examination of Social Dynamics. . . Supplement to the Lecture and Correspondence Courses on Social Dynamics," December 1938).

[62] Ibid., box 13, file 431, "Alberta Social Credit League Head Office Bulletin, Call to Action to All Leaders of the Social Credit Movement," 1 March 1939

[63] *TT*, 1 Feb. 1940

Hitler elected in Germany. He claimed the real shots were being called by the bankers.[64]

The dominance of Douglas's political theory, so evident in Kennedy's by-election victory in 1938, had lessened as Aberhart had reasserted his leadership of the provincial party and was much less noticeable in the 1940 election. The idea that the people were to demand results while experts chose methods still received Social Credit's approval, but in most respects the party's strategy followed the pattern in place since the 1938 radio broadcasts. In the months leading up to the election, every problem, whether in housing, education, or any other field, was attributed to the monetary system and to those responsible for that system. Social credit was held up as the solution to those problems. Federally, a vote for King was equated to a vote for the Rowell-Sirois Royal Commission, creeping fascism, and "CENTRALIZATION AND CONTROL FROM THE TOP."[65] Provincially, the passing of social credit legislation destined for veto at the federal level was largely behind Social Credit, and it increasingly discussed progress in terms of its interim measures.[66] The Social Credit Board, for instance, gave credit for the lessening of the depression to the Interim Program before the war had any impact on the provincial economy.[67] When Social Credit published *The Record Tells the Story* in early 1940 cataloguing its accomplishments in government, Liberal leader E.L. Grey pointed out it contained no references to the fundamentals of social credit.[68] The good government emphasis of later years was plainly evident during the provincial campaign as well when Aberhart told a Prophetic Bible Conference meeting that the first concern of his government was "the giving of honest government," though this concern was in addition to his government's commitment to achieving the result the people were demanding, that is, monetary reform.[69]

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[64] Ibid., 7 March 1940

[65] Ibid., 7 March 1940

[66] See the "Pathway of Progress" articles in Ibid., commencing in the summer of 1939 and the articles on the government's accomplishments from February 1940.

[67] PAA, Calgary Prophetic Bible Institute papers, 69.230, file 3c, *Annual Report of The Social Credit Board for 1939* (Edmonton: Social Credit Board, 1940), 12-13

[68] *TT*, 11 Jan. 1940

Social Credit was lucky to survive the two elections of 1940. Federally, it won 10 seats, all in Alberta, compared to 17 in 1935. The poor showing, and Herridge's failure either to adopt social credit fully or to win a seat, signalled the approaching demise of the New Democracy movement. For a time, John Blackmore, a Socred MP from southern Alberta, acted as the New Democracy leader in parliament, but Social Credit was soon seeking a new federal political vehicle.[70] Provincially, the party won 36 seats, compared to 57 in 1935.[71] Aberhart believed the strategy of calling the provincial election to coincide with the federal election had worked. Later, he joked that the opposition parties "were falling into each other's arms and kissing in the Provincial Election and tearing each other's hair out in the Federal Contest."[72] He claimed the Unity movement had had a mighty machine working for them. "We had nothing upon which we could rest but God. However, our people were held loyal and strong... The hand of God was on the helm." Now, the government would "proceed on as even a keel as possible in the face of all the problems, to give a good honest government, with social services as adequate as conditions will allow and with efficient protection for our unfortunate debt-ridden people from any financial institutions which appear to be too eager to collect where the same would create a great hardship." It would also push forward "aggressively and wisely" with Interim Program.[73]

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In spite of Social Credit's re-election in 1940, immediate prospects for the party and government were somewhat dismal. Social Credit's attempts to alert the people to the real dangers of the war were being ignored and its hope of mobilizing the public for social credit outside of Alberta had largely failed. The initial rush of expansion of the Interim Program had been stalled by the war. Yet, Social Credit was convinced that its own failings were for the most part attributable to Finance, whose propaganda prevented the people from seeing the truth of social credit and whose influence over the King government led to successive measures aimed against Alberta.

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[69] Ibid., 25 May 1939. For one example of this strategy by an ardent Douglasite, Cornelia Wood, see the Wood papers, 68.74, file 196, "Alberta Social Credit Platform," n.d.

[70] Elliott and Miller, *Bible Bill*, 296

[71] On the 1940 election, see Serfaty, "The Unity Movement in Alberta," 1-9; Schultz, "A Second Term: 1940," 17-26.

[72] PAA, William Aberhart papers, 70.239, box 1, file 15, "The Mobilization of General Intelligence," 29 March 1940

[73] *TT*, 4 April 1940

From the fall of 1940, Aberhart and Manning increasingly characterized the world struggle as pitting democracy and Christianity against totalitarianism and Paganism. When Clarence Streit's Union Now proposals for uniting the British speaking nations under a single administration caused a flurry of interest in a number of countries, Social Credit linked the plan to the Rowell-Sirois Royal Commission and to the earlier Loan Council proposal. They were different parts of a single scheme to bring the world under the dictatorship of International Finance.[74] According to Social Credit, international finance was behind the Second World War, socialism, bolshevism, fascism, and nazism. In one broadcast, when Ansley claimed there was evidence "to show conclusively that international finance of Germanic origin has planned and prepared all the wars, depressions, and accompanying revolutions of recent history," Aberhart agreed wholeheartedly and linked Ansley's comments to his own analysis of the Rowell commission.[75] In the summer of 1941 in a broadcast that again connected Finance to Union Now and plans for world dictatorship, Aberhart warned that "in the gathering darkness of civilization-in-eclipse" there now could be discerned "the sinister glow of the red light of Universal Paganism, as the forces of evil seek to enslave humanity under a world tyranny."[76]

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[74] Ibid., 17 Oct. 1940; also see Norman Jauques's article on Union Now and the Money Power in Ibid., 24 Oct. 1940. Aberhart publicly equated the Rowell Commission to Union Now at the Interprovincial Conference in January 1941 (Ibid., 16 Jan. 1941). Elliott and Miller suggest that Aberhart's opposition to Union Now was influenced by his religious ideas about the alignment of nations that would join with the Antichrist (*Bible Bill*, 303).

[75] *TT*, 6 March 1941

[76] William Aberhart papers, 70.239, box 1, file 18, "National Monetary Reform, Canada's Urgent Need." The pamphlet was based on an Aberhart speech carried in *TT*, 31

The Social Credit Board reminded Albertans that the British people's battle against totalitarianism was not confined to the war against Nazi Germany, but was also against the same totalitarian forces within Canada. "For the most part," it observed, "the persons engaged in this attack from the rear are the unconscious tools of those whose cause they are serving, which renders this menace all the more dangerous." The Board warned that, as in past wars, International Finance would rely on centralization of power, increasing debt, rising taxation, the imposition of harsh regulations, and "the introduction of large scale planning under bureaucratic central control" to achieve its objectives on the home front while everyone was preoccupied with the war.[77] Social Credit's problem was that no one seemed to be listening.

In Social Credit's understanding, the King government ranked as the primary "unconscious tool" Finance used to undermine Canada's war effort. Finance was behind the King government's Royal Commission on Dominion Provincial Relations[78] and its repeated refusals to grant Alberta a provincial bank charter.[79] Along with these more obvious examples of Finance's "interference," Social Credit attributed to Finance a number of federal measures that seemed to discriminate against Alberta. For instance, the CBC's wartime broadcast regulations meant that Aberhart's religious broadcasts were to avoid political references. Eventually the CBC's regulations forced Aberhart to broadcast from the radio studio rather than a theatre as was his custom.[80] Finance was to blame. It hoped to undercut Social Credit's ability to communicate directly with the people without relying on the Finance-controlled press. But Social Credit could not be so easily bound and gagged.

July 1941 and included a commentary by Byrne. Also see Aberhart's comments in Ibid., 11 Sept. 1941.

[77] Calgary Prophetic Bible Institute papers, 69.230, file 3c, *Annual Report of The Social Credit Board for 1939* (Edmonton: Social Credit Board, 1940), 17, 12-13

[78] See the editorial in *TT*, 14 Nov. 1940 and Aberhart's comments in the 21 Nov. 1940 issue.

[79] Elliott and Miller suggest that Alberta's failure to receive a bank charter had more to do with its own record with bonded debt (*Bible Bill*, 297).

[80] Ibid., 290

Social Credit finally decided that, in spite of the war, it had to strike back more forcefully at Finance. Starting in the summer of 1941, its criticisms of the existing system of paying for the war and its calls for the conscription of wealth before the conscription of manpower[81] became more insistent, but its counterattack did not begin in earnest until the founding convention of the Democratic Monetary Reform Organization (DMRO) in Winnipeg in October 1941.

The DMRO was another attempt by Social Credit to find a vehicle for its federal political ambitions. It was to serve as an umbrella organization, co-ordinating provincial organizations. Copying Aberhart's tactics of 1935, it claimed to be non-partisan in approach; it welcomed members of other parties and described the party system as a menace.[82] According to Aberhart, "If any government in office will carry out the wishes of the people as expressed through their organization, it will receive that organization's support. But if the government in office refuses to obey the will of the people, then the people will have the necessary organization to put their own candidates in the field and to elect them."[83] The DMRO incorporated social dynamics in that the people were to demand the results they wanted, but, as in 1935, Aberhart insisted the people could only attain democracy if they were "enlightened and organized to assert their constitutional democratic rights..."[84] In other words, the people had to be educated in the details of monetary reform; they had to understand the message if they were to have faith. In January 1942, *Today and Tomorrow* became the official paper of the DMRO.

The DMRO did not survive long, but the founding convention was notable for the increasing criticisms Social Credit leaders heaped on the federal government. Hooke criticized the Victory Loan campaign because it would create debts that veterans would have to pay when they returned.[85] Aberhart suggested the nation was piling up a debt it might never repay, prompting some critics to question Aberhart's loyalty to the war effort. Following the DMRO convention, the Calgary Board of Trade challenged Aberhart to assert his confidence in Canada's financial stability and ability to repay its debts. Aberhart's response can only have further inflamed the critics:

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[81] *TT*, 11 Sept. 1941, 24 July 1941

[82] Premiers' papers, 69.289, file 1461, "Statement issued by Mr. Aberhart," 8 Jan. 1942

[83] Wood papers, 86.125, box 3, file 98, untitled speech by William Aberhart, n.d.

[84] *TT*, 15 Jan. 1942

> Oh yes, Canada, the fairest and finest land on the face of the earth will pay, through the process of refunding, the interest and principle in full unto the third and fourth generations for all the follies of her financial taskmasters, unless those generations, gaining enlightenment and becoming determined to retrieve the financial sovereignty which is their right, place solely under the administration of the government, where it properly belongs exclusively, the creating of currency and the regulation and granting of credit at cost.
>
> I am convinced that the Dominion of Canada, even as an outstanding political democracy will continue to have financial depression with unemployment, hunger, blasted hopes and shattered homes and will never enjoy "economic freedom and security" unless and until the existing system is remodelled to meet the demands of the people and the times; and unless and until the financial resources of the Dominion are marshaled [*sic*] to serve the people and the nation as a whole rather than a clique of bankers who in turn are subsidiary to foreign influences.

With that preamble understood, Aberhart reluctantly declared his unbounded confidence in Canada's financial stability.[86]

Through the remainder of the fall and winter of 1941-42, Aberhart and his cabinet ministers continued their attack on the King government. They repeatedly queried the ability of the nation to repay its war debt and called for the conscription of wealth before the conscription of manpower, and they accused the federal government of complacency and playing politics with the war effort. Social Credit opposed the February 1942 plebiscite to release King from his promise that there would be no conscription of manpower, as "an unwarranted expenditure of energy ... a serious loss of valuable time ... [and] an inexcusable expenditure of public funds."[87]

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[85] Ibid., 20 Nov. 1941

[86] Aberhart's response was carried in Ibid., 27 Nov. 1941.

[87] *The Albertan*, 11 Feb. 1942; *TT*, 12 Feb. 1942

Social Credit's criticisms drew the fire of the province's press and opposition politicians. They again accused Aberhart of undermining the country's war effort and trying to fasten one-party "Prussianism" on Canada.[88] Still, Social Credit refused to moderate its views. When opposition MLAs censured Social Credit for hurting the war effort by taking "potshots" at the federal government, N.B. James retorted that the federal government had been using a "gangster tommy gun" on Alberta. "As long as they keep firing at us," James vowed, "we will fire back and fire back plenty... We have had absolutely no co-operation from the Federal government."[89]

The province's disputes with Ottawa became still more intense with the rejection of Social Credit's proposed route for the highway to Alaska. With the start of the war, the provincial government had skilfully adapted its proposal for a highway linking Alberta to the resources of the North to the new circumstances. It had hired a publicist to interest the American government in its route as the best way of reaching Alaska, convinced the influential Arctic explorer V. Stefansson that its preferred route was superior from a military and an economic viewpoint, joined with other lobby groups hoping for a prairie route, and lobbied Ottawa. But it failed. In February 1942, when Fallow heard rumours that Ottawa wanted the coastal route through British Columbia, he struck back. "No one will express a great deal of surprise at a Liberal government doing even this," he contended, "but when it comes to endangering the safety and protection from foreign invasion of not only the province of Alberta, and the Dominion of Canada but the whole western hemisphere, on no better excuse than to further their own party political prejudices," then, the federal government's actions were indefensible. He also charged the King government with ignoring Alberta's request for an extension of its boundaries and with spending millions to help construct northern roads elsewhere but refusing to help Alberta, except for the few dollars it spent on the winter road to Great Slave Lake.[90] Disregarding that strategic considerations largely determined that the Alaska highway would follow the Northwest Staging Route,[91] the provincial government seemed to believe that, with Ottawa's support, the route to Great Bear Lake would be selected.

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[88] GAI, Calgary Board of Trade papers, M2260, box 1, file 1, "Secretary, Calgary Board of Trade to Aberhart," 6 Nov. 1941; *Edmonton Journal*, 30 October 1941; *Lethbridge Herald*, 13 Jan. 1942, 16 Jan. 1942

[89] *The Albertan*, 20 Feb. 1942

No sooner was its preferred route to the North rejected than Social Credit suffered two more blows. First, the federal government disallowed three more debt adjustment acts. The Dominion Mortgage and Investment Association and the Canadian Bankers' Association, which Aberhart referred to as the "voracious blood-sucking operations of the financial octopus of our land," had both petitioned the federal government for the disallowances. Aberhart termed the disallowances an "internal offensive by the money-lending corporations against the unfortunate debtors of our country," while Maynard called Ottawa's action a "sneak disallowance" and compared it with the Japanese attack on Pearl Harbor.[92] Second, in April, King informed Aberhart that the federal government did not favour of an extension of Alberta's boundaries.[93] Alberta was apparently to be deprived of both the resource wealth of the North and the route to that wealth.[94]

Characterizing Social Credit's dissatisfaction with Ottawa as western regional discontent[95] does not capture the nature of, or motives behind, that dissatisfaction. Even as Aberhart griped at the King government, his repeated assurances of Social Credit's loyalty to Canada were sincere. The Viner Report had reinforced for Social Credit the extent to which it was not the master of its own fate. Yet, Ottawa's manoeuvring was just one part of a larger pattern of events that Social Credit believed was orchestrated by Finance. That pattern of events closely followed Douglas's predictions. As the war progressed, the portents became more ominous. Overseas, Britain had survived the Battle of Britain, but the German military machine had marched into Russia and, by the fall of 1941, appeared on the verge of taking Moscow. Still more appalling were the signs of what the financial conspiracy had in mind for the postwar world. As news from the battle front improved in 1942, Social Credit feared that the allied nations would win the war only to lose the peace.

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[90] Ibid., 26 Feb. 1942; *Edmonton Journal*, 26 Feb. 1942

[91] Gregory A. Johnson, "Strategic Necessity or Military Blunder?: Another Look at the Decision to Build the Alaska Highway," paper presented to the Alaska Highway Commemorative Symposium, Edmonton, 6 June 1992

[92] *Edmonton Journal*, 29 March 1942, 9 April 1942

[93] King papers, MG26J1, vol. 321, King to Aberhart, 21 April 1942

[94] Social Credit did not give up on its lofty ideas about industrializing the province by tapping the resources of the north. When American proposals calling for a railway to Alaska as a strategic necessity became public, Aberhart urged consideration of the route from Peace River to Great Slave Lake and suggested that the provincial government was still hoping to upgrade the winter road that followed that route. Department of Public Works, Fallow papers, 68.307, box 67, Draft copy of a letter from the Premier Thos. S. Acheson, General Agricultural Agent, Canadian Pacific Railway, Winnipeg, 21 Sept. 1942; *TT*, 1 Oct. 1942

As the months of 1942 passed, Social Credit increasingly believed that it was at the centre of a worldwide conflict between Christianity and Paganism. Social Credit was Finance's particular enemy because it, alone, understood Finance's policy. It, alone, recognized Finance's methods for achieving a World Slave State. Consequently, Social Credit's leaders believed that every statement they made and every action they took had far-reaching implications. Their fears for the direction the war was taking and their sense of occupying a pivotal position in history, compelled them to speak out. They had to risk accusations of disloyalty. For the sake of mankind, they had to build on the attacks they had launched at the DMRO convention until the people of Canada understood the two main dangers closing about them: international dictatorship and socialism. Aberhart's Post-War Reconstruction broadcasts commencing in November 1942, the hearings of the Alberta Post-War Reconstruction Committee (APWRC), and the four day conference Social Credit and the DMRO held on reconstruction in December 1942 marked the next stage in their counterattack against Finance. As that attack advanced, it was gradually directed less at Finance and more at its primary policy of establishing Totalitarianism, whether of a Fascist or Socialist nature.

Thanks partly to Byrne's influence, Aberhart and Manning's understanding of the events leading up to the Second World War and the war, itself, was, by 1942, virtually identical to that of Douglas, excepting, of course, for Douglas's anti-Semitism. Aberhart and Manning's religious based understanding of history, Douglas's conspiratorial explanations, and the pattern of current events seemed to be in almost perfect correspondence. In fact, in the Post-War Reconstruction broadcasts, Aberhart and Manning for the first time fully adopted Douglas's conspiratorial theories of history, though Aberhart's explanations, in particular, were still coloured by religious references.[96] Thus, according to Aberhart, the Great Depression of the 1930s had been deliberately caused "by a stringent withdrawal of credit or purchasing power from circulation by the Financial Manipulators."[97] Their particular target was the British Empire because it embodied the principles of democracy and decentralization of sovereign power.[98] Manning later explained how the Money Lords had orchestrated subsequent international events. The withdrawal of purchasing power, he argued, had forced cut-throat competition which led to wage and production cutbacks and unemployment and forced businesses to seek out foreign markets. But the same conditions were at work in other countries, which, to protect their interests, imposed tariffs and embargoes. Businesses then attempted to break through these barriers. Inevitably, international friction increased and the conditions were created which led to the Second World War.[99] Like Douglas, Aberhart and Manning believed that the Second World War was a period of intensified danger but also of hope and opportunity because it revealed the controlling hand of the money lords. During the depression, Manning pointed out, orthodox finance had argued that credit could not be created to alleviate poverty and unemployment, but when the war began it had suddenly become possible to create credit to produce weapons of destruction. Thus, World War II was demonstrating that it was possible to create the necessary purchasing power to remedy the inherent defects in the economic system.[100] Aberhart claimed that Social Credit's main hope for the future was that the war had exposed the "myth of money scarcity" propagated by the evil lords.[101]

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[95] Macpherson, *Democracy in Alberta*; Mallory, *Social Credit and the Federal Power*

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[96] In contrast, Elliott and Miller portray Aberhart as losing his sense of direction as he succumbed to conspiracy theories (*Bible Bill*, 305). For one example of religious overtones, see Legislature Library papers, 74.1, box 9, file 235, "Post-War Reconstruction Broadcast, No. 10, Safeguard Against Inflation and Deflation, by William Aberhart," n.d. The broadcast was given in late 1942 or early 1943. *Today and Tomorrow* had, for some time, carried articles, particularly those under the byline "Spitfire," reflecting Douglas's conspiratorial understanding of history. The "Spitfire" columns began in *Today and Tomorrow* in the fall of 1940.

[97] William Aberhart, *Post-War Reconstruction, First Series of Broadcasts by William Aberhart, B.A.* (Edmonton: Today and Tomorrow, n.d.), 77-78

[98] Legislative Library papers, 74.1, box 9, file 235, "Post-War Reconstruction Broadcast, No. 22, Traditional British Policy, by William Aberhart, B.A.," n.d.

[99] Premiers' papers, 69.289, file 1261, "Alberta - Home of Social Credit," n.d.

In launching his Post-War Reconstruction broadcasts, Aberhart ingenuously claimed that Social Credit had observed a "self-imposed silence for three long, horrible years" for fear of damaging the war effort, but silence could no longer be justified.[102] He implored:

> Listen carefully, Ladies and Gentlemen! For the past three years - in fact ever since the outbreak of war - there has been a steady stream of propaganda, carefully organized and well financed, to win support for setting up a World Federation of Nations under an International authority, to which all Nations would surrender control of finance, international trade, their armed forces and their citizenship rights... I warn you, Ladies and Gentlemen, with every ounce of sincerity and vehemence I possess; for your own sake, for the sake of the brave lads who are fighting so heroically to overthrow tyranny, for the sake of your children for the sake of the future of our country - yes - for the sake of everything you hold dear, oppose, expose and resist by every means in your power this audacious and evil conspiracy by the Money Powers to set up a World Slave State.[103]

The dangers on the homefront were just as serious.

Based partly on biblical prophecy, Aberhart and Manning were certain that the united nations would win the present conflict.[104] Since the beginning of the war, however, they had been acutely concerned by Finance's plans for the postwar world. In 1941, Aberhart warned that under the cover of a war against Fascism, the leaders of Canada were, themselves, being "hoodwinked and inveigled into a financial dictatorship or a Fascist State."[105] Ostensibly to assist the war effort, they were introducing the laws, regulations, and bureaucracy of the future Slave State.

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[100] Ibid., file 1824, "National Series `S'," n.d.; Ibid., file 1215, "Addendum to the Brief on Post-War Reconstruction Submitted by the Government of Alberta," n.d.

[101] Aberhart, *Post-War Reconstruction, First Series,* 88-90

[102] Legislature Library papers, 74.1, box 9, file 235, "Post-War Reconstruction Broadcast, No. 1, Planning for Reconstruction, by William Aberhart, B.A.," October 1942

[103] Ibid., box 9, file 235, "Post-War Reconstruction Broadcast, No. 28, International Dictatorship By Finance, by William Aberhart, B.A.," n.d.

In particular, Social Credit viewed schemes for the postwar years like Britain's Beveridge Plan and Canada's 1943 Marsh Report with alarm. Many observers considered the Marsh Report a desirable blueprint for the future welfare state, though some criticized it either for not being comprehensive enough and offering benefits which were too low, or for costing too much, advocating too much centralized state control, and threatening individual initiative.[106] In comparison, Social Credit condemned it as a diabolical blueprint for a totalitarian state.[107] The government had for some time rejected social insurance programs, since they took purchasing power out of the pockets of consumers.[108] The difference by the time of the Post-War Reconstruction broadcasts was that Social Credit placed its arguments more clearly within the context provided by Douglas's understanding of history.

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[104] The prophecy was based on Isaiah 54:17. For Aberhart's views see Aberhart, *Post-War Reconstruction, First Series,* 18.

[105] Ibid., 16 Jan. 1941

[106] Leonard Marsh, *Report on Social Security for Canada* (Toronto: University of Toronto Press, 1975). Michiel Horn provides a useful synopsis of the Marsh Report in "Leonard Marsh and the Coming of a Welfare State in Canada," *Histoire Sociale/Social History* 17(May 1976), 197-204. For several generally favourable views of Marsh's Report see the Summer 1986 *Journal of Canadian Studies.* Since the Report's publication, its influence has been questioned. See Stuart K. Jaffary, "Social Security: The Beveridge and Marsh Reports," *Canadian Journal of Economics and Political Science* 9(1943), 571-92; Dennis Guest, *The Emergence of Social Security in Canada,* 115-26.

[107] The best sources for Social Credit's views on social insurance are the Cornelia Wood Papers (68.74, 86.125, 72.309, 79.228), the Premier's Papers (69.289), and the Alberta Post-War Reconstruction Committee papers (68.328) at the PAA.

[108] See Aberhart's comments in *ASCC* 25 Jan. 1935 and his rejection of unemployment insurance in King papers, MG26J1, vol. 283, Aberhart to King, 14 May 1940. At the time, Social Credit was trying to co-operate with the federal government's war effort, and perhaps, for that reason, Aberhart allowed that Alberta would, if necessary, fall in line with what the

According to Aberhart, all social insurance schemes shared common origins which could be traced to the first such plan implemented "in Germany under the iron rule of Bismarck ... [as] a 'golden chain about the necks of the workers'" in order to bind them "body and soul to their financial overlords."[109] Finance's fingerprints were all over the Marsh Report. It was no coincidence, Social Credit argued, that calls for the Marsh plan and an American equivalent to the Beveridge Plan came so soon after the Beveridge plan.[110] Marsh was a socialist economist, a graduate of the London School of Economics (LSE), a former assistant to Sir William Beveridge (the author of Britain's plan), and a co-author of the League for Social Reconstruction's *Social Planning for Canada*, which, in Social Credit's view, advocated international socialism and world government. Following Douglas, Social Credit considered the LSE one of the linkages between International Finance and Socialism. Under the guidance of Finance, the LSE's graduates had spread like a virus through the universities and government bureaucracies of various countries where they authored social insurance schemes modelled on the Beveridge plan.[111]

Aberhart warned that "Every measure for the post-war period -- compulsory contributory unemployment insurance, compulsory contributory health insurance, compulsory contributory old age pensions, and so forth and so on -- all involve the perpetuation of State bureaucracy and

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other provinces wanted (Ibid., vol. 238, Aberhart to King, 22 May 1940).

[109] William Aberhart, *Post-War Reconstruction, Second Series of Broadcasts by William Aberhart, B.A.* (Edmonton: Today and Tomorrow, n.d.), 58, 70

[110] Legislature Library papers, 74.1, box 9, file 235, "Post-War Reconstruction Broadcast, No. 23, The Constitution and the Peoples, by William Aberhart, B.A.," n.d.; Ibid., Post-War Reconstruction Broadcast, No. 24, The Man on the Street and Post-War Reconstruction," n.d.

[111] The best source on Social Credit's views of the LSE is Wood papers, 72.309, file 29, "Alberta Social Credit Board Annual Report, 1945," n.d.; also see Legislature Library papers, 74.1, box 9, file 236, "National Series, No. 3, The Canadian Political Situation, by Solon E. Low," n.d. The broadcast was given in late 1943 or early 1944.

all carry us another step towards the Supreme State of National Socialism..."[112] He also explained how social insurance measures increased the power of Finance. Since wage earners had insufficient purchasing power, governments could not possibly raise enough money by taxing them to provide social services which were only necessary in the first place because of the injustices brought on by the defects in the system. Nevertheless, governments tried to provide these services and, in so doing, they had to borrow from the "money lords." Like Douglas, Aberhart argued that, as time passed, paying for the social safety net was forcing governments to act more and more according to the bidding of the "Hidden Iron Hand of Finance."[113]

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On 23 May 1943, in the midst of Social Credit's counterattack on Finance and before the completion of its own plans for the postwar era, Aberhart died. His death was a devastating loss for the movement and the government. For most Alberta Socreders, he had defined what Social Credit was all about. If their affection for him had diminished at the time of the backbenchers' revolt, it had returned in the succeeding months when so many of his government's earlier initiatives seemed to be vindicated. There was only one possible successor.

Ernest Manning differed in temperament but his beliefs were remarkably similar to those of his great friend and mentor, Aberhart. He had been front and centre in many of the major initiatives launched by Aberhart's government and he wanted nothing more than to fulfil the founder's mission. After winning out over Solon Low to lead the provincial party, Manning pledged himself to continue the founder's work and "adhere to the three-fold policy of government which we are convinced represents the will of the overwhelming majority of the citizens of this province." First, the government would do its utmost to assist in Canada's war effort; second, it would fight with renewed vigour to secure social and economic security with freedom -- that is, social credit -- for Albertans; and, third, it would endeavour to give the "very best in good, sound, honest and efficient administration in every department of government..."[114]

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[112] Aberhart, *Post-War Reconstruction, Second Series*, 90

[113] William Aberhart, *Post-War Reconstruction, Second Series of Broadcasts*, 28

[114] *Aberhart & Manning* (Liverpool: K.R.P. Publications Ltd., 1943). The pamphlet, which was published after Aberhart's death, included Manning's speech of 11 June 1943.

Under Manning, the compromise that had been reached between the Douglas and Aberhart strategies continued. The party tried to "clarify" who the enemy was and what its policies were in order to mobilize the people against Finance. It also supported a gradual, peaceful transition to a social credit state and offered an interim program pending the actual enactment of full-scale social credit measures. The transition from Aberhart to Manning was, therefore, marked by continuity. Aberhart's ideas were plainly evident in the different series of broadcasts sponsored by the DMRO and Social Credit through the remainder of 1943 and 1944, in the interim and final reports of the APWRC and its sub-committees published in 1944, and in the government's actions.

In attempting to mobilize the people against Finance, Social Credit's broadcasts at times became even more extreme following Aberhart's death. Its alarm about the likely make-up of the postwar world was still growing. A few months after Aberhart's death, Manning explained with all the passion and logic he could command:

> Ever since the first gun was fired, a carefully laid conspiracy has been at work using the conditions created by the war in an effort to rob the democratic nations of their national sovereignty, to eliminate true democracy, to undermine the British Empire as a Commonwealth of free and sovereign peoples and to set up a World Dictatorship under a supreme international authority which would be able to dominate the economic life of every nation by controlling its money system, and its armed forces.[115]

For those who doubted, Manning offered "proof" of the existence of this "hideous Frankenstein" that was "deliberately trying to use the war to impose upon the democracies an international dictatorship, under an international super-government having control of an international police force and an international money system as the means for enforcing its dictates upon the peoples under its domination."[116] First, there had been Finance's Union Now scheme to unite the democracies under a central international authority. In reality, that scheme had been designed to remove the people's constitutional right to control the monetary system and place it in the hands of a supreme central authority in control of the armed forces which would be called an International Police Force. That was the blue print for the "New Order." At present, that very plan was being fulfilled, Manning warned, but "not under the name of 'Union Now', not as a federation of democracies - oh no!, the tactics are more subtle than that." The same scheme was now advancing under the British and American proposals for an international monetary authority. "When these proposals were put forward," Manning explained, "the reputed author of the so-called British scheme, Lord Keynes, a director of the Bank of 'England' which, as you know, is a privately operated institution in the International Money Ring, stated frankly that an international police force could be used to enforce its operation." Canada's financial experts later proffered a similar scheme.[117] Manning was again influenced not only by Douglas but by his religious beliefs, which pointed to proposals for a new league of nations, a world congress of faith, and a single world language as presaging the end of times.[118] Low warned that recent proposals for establishing a postwar economic and political order put forward at Bretton Woods and Dumbarton Oaks were also "financial manipulators' schemes" designed to establish still more firmly "international control over finance, trade, air transport, & the armed forces."[119] Hooke forecast that the next stage in Finance's plans was the United Nations conference scheduled for San Francisco.[120]

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[115] Legislature Library papers, 74.1, box 9, file 235, "National Series 'S,' Act or Perish, by E.C. Manning." The series commenced in Nov. 1943.

[116] Ibid., box 9, file 235, "Post-War Reconstruction Broadcast, No. 35, A Call To Action - Organizing for Democracy, by E.C. Manning," n.d.

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[117] Ibid., box 9, file 235, "National Series 'S,' Act or Perish, by E.C. Manning." Manning wrote the Prime Minister to protest that the "Joint statement by Experts on the Establishment of an International Monetary Fund," which Canada had signed, was not accessible to the layman, while the proposal would eliminate national sovereignty and lead to the establishment of an "international economic dictatorship, wielding power superior to any national government, and beyond the control of any electorate"(GAI, Solon Low papers, M695, file 295, Manning to King, 23 June 1944). Extracts from the letter were later used in Social Credit's 1944 election materials.

[118] *Prophetic Voice* 3:5(Nov. 1944), 5-7. The prophecy was based on Rev. 17.

[119] Premiers' papers, 69.289, file 1824, "National Series 'S': Does Democracy Need Socialism," n.d. The broadcast was given by Solon Low.

[120] Wood papers, 68.74, box 1, file 94, "The Eclipse of Democracy," n.d. In the broadcast, Hooke approvingly quoted Manning's letter to King referred to above.

Like Aberhart before him, Manning warned that the dangers that Canada would lose the peace even if it won the war multiplied because the federal government and other parties willingly co-operated in the conspiracy's plans. He explained:

> It is no accident that the policies being put forward for post-war reconstruction by the old parties and socialists alike, and by the spokesman for the financial interests, all involve increased centralization of power, mass regimentation and bureaucracy under methods of compulsion by State authorities, high taxation, forced labour and continued dependence of the individual citizen for his existence on a system of wage slavery. The objective of International finance is a World Slave State, and they are gaining that objective step by step and, unfortunately, they seem able to find willing dupes to help them in their pernicious plans.[121]

He warned that the "forces of the pre-war depression," Monopoly and Vested Interests, were being remustered so that they could overwhelm the people following the war. Labour was under persistent attack; farmers were kept in economic insecurity; and the returning men were not getting a "square deal." Canadians must be watchful or wartime restrictions on their freedoms would be carried over into peacetime.[122]

Social Credit's attempts to clarify the nature of the enemy often focussed on the dangers of Finance's attempts to establish centralized pyramidal control through socialism. As a target, socialism conveniently combined philosophical inclination with partisan political considerations. As previously discussed, Douglas saw no significant difference between the Marxian Socialism he associated with Russia and the National Socialism of Germany, or even English Socialism. All forms of socialism were totalitarian in nature. All increased the dangers of war.[123] Of course, for Douglas, a philosophical opposition to socialism did not rule out an alliance with a socialist party as the best method to achieve a desired result.

Like Douglas, Social Credit leaders in Alberta agreed that all forms of socialism were alike. Like Douglas as well, they believed that "socialists" of the left and right were financed by the money powers.[124] Aberhart discouraged electoral alliances involving socialists, though, as late as 1940, Social Credit was asked to consider co-operation federally, both in and out of the House of Commons with the CCF.[125] Given its opposition to socialism, Social Credit had adapted uneasily to Russia's emergence as an ally after Hitler's invasion in June 1941.[126] Its concerns were fed by the rise of the CCF in Canada. Aberhart easily linked the socialism advocated by the CCF to Hitler's national socialism and insisted that Canadian socialist schemes for full employment were no different from Hitler's regimentation of German citizens in the army, "goose-stepping up and down parade grounds," or working in war factories to increase Germany's military might.[127] "What," queried Aberhart, "is the sense of condemning the ruthlessness of national socialism in Germany in one breath, and then turning around and advocating the adoption of socialism here in Canada as the only possible alternative to the pre-war perverted democracy?"[128] After Manning succeeded Aberhart, Social Credit's attacks on socialism continued and even intensified.[129] At the constituency level, however, isolated examples of Social Credit's united front strategy with socialists persisted as late as 1943. By then, even the Social Credit Board opposed that strategy.[130] Social Credit's attacks on socialism drew a warm response from business.

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[121] Legislature Library papers, 74.1, box 9, file 236, "National Series, No. 19, by E.C.. Manning," n.d. The broadcast was given in April 1944.

[122] Ibid., box 9, file 236, "National Series, No. 16, by E.C. Manning," n.d. The broadcast was given in early 1944.

[123] See Douglas's article in *TT*, 26 Jan. 1939.

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[124] Premiers' papers, 69.289, file 1824, "National Series `S': Does Democracy Need Socialism?" n.d. The document is approximately dated by internal evidence.

[125] Low Papers, M695, file 95, M.J. Coldwell to Victor Quelch, M.P., 10 Dec. 1940; Ibid., Quelch to Coldwell, 27 Dec. 1940

[126] "Spitfire" reasoned: "The realistic view ... is that while we welcome the sudden turn which the war has taken, and that, as a means to achieve the defeat of Nazidom, it is just commonsense to encourage Russia and give her aid, we want neither Bolshevism nor Nazi-ism to emerge triumphant. "And it is well to remember that there are powerful forces at work to impose universal Bolshevism on the world under the guise of Union Now, centralization, planning and so forth. . . . "We must be on our guard against their propaganda." Later, *TT* supported provision of aid to Russia (26 June 1941).

[127] Aberhart, *Post-War Reconstruction, First Series,* 23-24

[128] Ibid., 23-24

[129] Premiers' papers, 69.289, file 1824, "National Series 'S': Does Democracy Need Socialism?" n.d.

Manning specifically attacked the source of many of the CCF's ideas, the League for Social Reconstruction's *Social Planning for Canada*. The National Planning Commission proposed by the League was, in Manning's view, an institution of "dictatorship that will control a multitude of lesser Commissions, Committees and Boards which will constitute the socialistic bureaucracy, exercising tremendous powers over all industries and the millions who are engaged in those industries."[131] The CCF policy of taxing the rich would, as in England, make everyone poorer.[132] In broadcast after broadcast, Manning linked the various policies the CCF advocated to Hitler's National Socialism.[133] He wondered why socialists acknowledged the power of finance but did not attack international finance or advocate monetary reform. "Is it then any wonder that socialist propaganda is always well financed by the money powers? Is it any wonder that Montagu Norman, permanent Governor of the so-called Bank of England, once stated: 'Nationalization? Why I would welcome it.'"[134]

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[130] PAA, Gauvreau papers, 66.135, file 33, W.F. Gilliland, Secr. Peace River Constituency, to Pierre Gauvreau, 20 Oct. 1943. Gilliland arranged a meeting with the CCF and the Labour Progressives "for the purpose of discussing the probability of Selecting One Candidate to represent these three left wing parties at the next election." The Board had written Gauvreau shortly before suggesting the CCF was receiving help from the banking monopoly and could be more dangerous than the Liberals if they won the next federal election (Ibid., file 32, N.B. James, Secr. Social Credit Board, to Gauvreau, 5 Oct. 1943). My thanks to Bob Irwin for these references.

[131] Legislature Library papers, 74.1, box 9, file 235, "Post-War Reconstruction Broadcast, No. 32, What Planning Means, by E.C. Manning," n.d." The broadcast was given in the early summer of 1943.

[132] Ibid, box 9, file 235, "Post-War Reconstruction Broadcast, No. 34, The Social Credit Proposals, by E.C. Manning," n.d. The broadcast is from the summer of 1943.

[133] Ibid, box 9, file 236, "National Series, No. S.1., by E.C. Manning," n.d. The broadcast was given in late 1943; Ibid, box 9, file 235, "Post-War Reconstruction Broadcast, No. 33, Democracy Does Not Need Socialism, by E.C. Manning," n.d. The broadcast is from the summer of 1943.

[134] Ibid.

The government's attacks on the socialist concept of social insurance were particularly cutting. Aberhart's criticisms of the Marsh Report were repeated in the APWRC's interim and final reports of 1944 and 1945. The APWRC claimed the Marsh Report was an attempt by the financial powers to appear to respond to public demands for changes to an unjust economic system while actually increasing their power over the people. The Subcommittee on Social Welfare argued that, like Beveridge, Marsh did not even address the real cause of poverty and insecurity -- the shortfall of purchasing power at the consumer level. Instead, he attempted to prop up the failing economic system which was creating those problems by redistributing the already too meagre wages of those workers above the subsistence level among the unfortunate who were below that level. It was a fascist, socialist scheme in which "nobody will be allowed to go barefoot. Everybody will have one boot." It was nothing but a "guilt-edged" dole.[135] Manning echoed Douglas and Aberhart in citing Bismarck's compulsory State Insurance schemes as the forbearers of Prussian militarism and modern Nazi-ism. These schemes had the full support of the financial monopolists.[136] According to the Finance Subcommittee, the Marsh Report would encourage the intervention, regimentation, and authoritarianism that would strengthen the state, while simultaneously contributing to the conditions that would force the people into greater dependency on the state. Citizens identified only by numbers would be forced to make compulsory contributions but the state would retain the right to decide what premiums to exact and what benefits to grant. In order to obtain those benefits, the individual citizen would be "forced to conform to a mass of regulations and conditions ... arbitrarily imposed upon him by some State bureaucracy."[137] It was exactly as Aberhart had predicted. Individual initiative would be crushed, freedom destroyed, and efficiency stifled by a suffocating state bureaucracy acting according to the will of the money manipulators.[138] Moreover, Marsh's social insurance scheme could not possibly work in the event of large scale or long term unemployment,[139] which exactly described the fate Social Credit believed was awaiting Canada at the end of the war.[140]

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[135] See the Subcommittee on Social Welfare, "Report on Social Welfare," in Government of Alberta, Alberta Post-war Reconstruction Committee, *Report of the Postwar Reconstruction Committee* (Edmonton, 1945), 70-71. The subcommittee reports were bound in a single volume with the APWRC report and will henceforth be cited by the name of the subcommittee. Wood papers, 72.309, file 29, "Alberta Social Credit Board Annual Report, 1945," n.d.

[136] Legislature Library papers, 74.1, box 9, file 235, "Post-War Reconstruction Broadcast, No. 31, The Old Line Parties, by E.C. Manning," n.d.

Along with "clarifying" the nature of the enemy, Manning continued to promote social credit economic solutions in basically the same terms Aberhart had used. Given constitutional realities and the ongoing hope of establishing Social Credit as a political force federally, the campaign for social credit continued frequently to be addressed to a national audience. Mimicking Douglas and Aberhart, Manning suggested: "Now, I want you to consider Canada as a vast industrial and commercial undertaking. Let us call it Canada Unlimited. The people of Canada are the shareholders in this concern; they are shareholders by right of inheritance under a democratic constitution."[141] Social Credit still called for dividends based on the cultural heritage, price discounts, reduced taxation,[142] and a just price reflecting the costs of production, a commission on turnover, and scientific price regulation to balance production and consumption.[143] Like Douglas and Aberhart, Manning warned that "it would probably be necessary to require that if a person's services were needed in work for which he was qualified, he must be willing to fulfil his obligations as a citizen if he is to receive the dividend."[144] Social Credit also advocated the establishment of a National Finance Commission which would set policy for banks through the Bank of Canada. The idea of a National Finance Commission probably originated with Douglas and had been raised as early as 1941 by Aberhart.[145] The Commission would have the same role nationally as intended for the Provincial Credit Commission under the Credit of Alberta Regulation Act.[146]

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[137] Ibid., 70

[138] Aberhart, *Post-War Reconstruction, First Series*, 52-53

[139] Subcommittee on Social Welfare, "Report on Social Welfare," 64

[140] See Aberhart's Reconstruction broadcasts. Wood papers, 86.125, file 272, "Radio Talk by A. J. Hooke," 22 Dec. 1943

[141] Legislature Library papers, 74.1, box 9, file 236, "National Series, No. 10, Economic Freedom - Cornerstone of Democracy, by E.C. Manning," n.d.; Ibid., box 9, file 236, "National Series, No. 14, Economic Democracy, by E.C. Manning," n.d. The broadcasts were given in early 1944.

[142] Premiers' papers, 69.289, file 1261, "Alberta - Home of Social Credit, by Hon. E.C. Manning," n.d. The broadcast was in late 1944 or early 1945.

Social Credit believed that the gauge for postwar reconstruction should be the treatment of the returning forces,[147] and it advocated a very generous program of discharge allowances, pensions, dependents' allowances, and free medical care for life.[148] The same kind of measures should be possible for all Canadians, so long as social credit was introduced to provide purchasing power to each citizen sufficient to assure basic economic security.[149] The problem with Social Credit's recommendations, obviously, was that the federal government, acting at the bidding of the hidden hand of finance according to Social Credit, had no intention of establishing a national monetary authority or of monetizing the nation's productive capacity.

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[143] Legislature Library papers, 74.1, box 9, file 236, "National Series 'S', The Social Credit Monetary Proposals, by Solon Low," n.d. The National Series "S" broadcasts began in November 1943.

[144] Premiers' papers, 69.289, file 1261, "Alberta - Home of Social Credit, by Hon. E.C. Manning," n.d.

[145] William Aberhart papers, 70.239, box 1, file 18, "National Monetary Reform, Canada's Urgent Need," 1941. The pamphlet was based on an Aberhart speech carried in *TT* (31 July 1941) and included a commentary by Byrne.

[146] Legislature Library papers, 74.1, box 9, file 236, "National Series, No. 9, by E.C. Manning," n.d. The broadcast was given in early 1944.

[147] Ibid., box 9, file 236, "National Series, No. 7, by E.C. Manning," n.d. The broadcast was given in early 1944.

[148] Ibid., box 9, file 232, "The Social Credit Charter, A National Policy for Establishing a New Democratic Order in Canada," May 1945

[149] Subcommittee on Social Welfare, "Report on Welfare," 80; Wood papers, 72.309, file 14, "Prepare Now, A Suggested Policy for Post-War Reconstruction embodying the features essential to British democracy," Jan. 1943. The report was authored by the Social Credit Board. Also see Aberhart, *Post-War Reconstruction, First Series*, 63.

Until Social Credit could mobilize the people to force the federal government into action, it advocated gradualism and proposed an interim program of reforms on the national as well as the provincial front. Nationally, the people of Canada would determine the pace of change to social credit. They had to arouse themselves and take responsibility for the direction of their country. Manning claimed apathy and sectionalism were the greatest impediments to mobilizing the people for social credit.[150] If the nation's current level of production was inadequate to allow dividends to provide citizens "with family allowances, retirement pensions and basic incomes sufficient to assure them economic security," the national monetary authority would provide these social dividends in the form of block grants "as drafts on the national credit" to provincial governments which would administer the actual social security programs according to their constitutional responsibilities.[151]

The government also continued to seek interim solutions within the province. Through the war years, it passed debt legislation in response to negative court decisions and sought debt readjustment.[152] In 1944, the Post-War Reconstruction Committee proposed a detailed interim program for Alberta that strongly reflected Aberhart's ideas. The APWRC believed that farming, "the primal and natural way of life," must remain at the centre of a provincial economy.[153] To strengthen the province's agricultural base, the Post-War Reconstruction Committee recommended massive irrigation projects to increase available farm land, though admittedly asking the federal government to pay most of the costs.[154] It also called for the provision of land to returning soldiers and provincial funding for clearing the land and it recommended subsidies for rural electrification costs, graded schools and better school buildings in rural areas, and the revision of school grants to create equality of opportunity among school districts.[155]

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[150] Legislature Library papers, 74.1, box 9, file, 236, "National Series, No. 14, by Ernest Manning," n.d. The broadcast was given in early 1944.

[151] Wood papers, 72.309, file 14, "Prepare Now, A Suggested Policy for Post-War Reconstruction embodying the features essential to British democracy," Jan. 1943. The report was authored by the Social Credit Board. Also see Aberhart, *Post-War Reconstruction, First Series*, 63; Subcommittee on Finance, "Report on Finance," 52.

[152] The major area of contention with the bondholders' committee was the unpaid interest that had accrued since Alberta's defaults (Provincial Secretary papers, 71.441, box 2, file 4g, "Resume and Minutes of the Alberta Debt Refunding Committee Conferences, held in the Parliament Buildings Edmonton, September 16th, 17th and 18th, 1941").

The Viner Report seems to have had a sobering effect on the government's plans for diversifying the economy. The APWRC reports were generally more realistic about Alberta's opportunities for industrialization. Little of the province's population was engaged in industrial activity and the Industry Subcommittee concluded from its survey of the provincial economy that tourism presented the best opportunity for postwar employment.[156] The Finance Subcommittee warned that the province should discourage monopolies and large-scale industries both of which could be subject to outside control, and recommended that local industries be allowed to expand from the Alberta market "only as the difficulties of competing in external markets can be overcome."[157] More realistically, the Natural Resources Subcommittee accepted the establishment of small *and* large industries based on natural gas. In sum, however, the APWRC anticipated a future for Alberta dominated by agriculture and small independently owned businesses, all serving the Alberta market.

The APWRC's interim program also suggested an alternative to social insurance programs that concentrated on prevention. The Post-War Reconstruction Committee believed that decentralization, economic diversification, and the strengthening of Alberta's agricultural base could help to prevent social problems before they occurred and thus eliminate the need for social insurance. Decentralized industries could help prevent the drift of population to the cities.[158] The government had learned during the depression that relief costs were higher and the homeless seemed more apt to become permanent charges on the government when they resided in cities. As a result, the government tried to resettle the unemployed on farms.[159] It was still committed to state health, but the costs of health insurance were estimated at $14.50/person per year or $11 million - which was impossible until monetary reform occurred.[160] In the meantime, the government would continue to expand the range of free health services available on the basis of need as revenues permitted. As well, Aberhart saw a continuing role for voluntary welfare agencies working with government departments "It will be sad indeed if the day ever comes when a superstructure of Autocracy should overwhelm and smother out those splendid organizations of voluntary and efficient service."[161]

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[153] Post-War Reconstruction Committee, *Post-War Reconstruction Committee Interim Report to the Legislature of Alberta* (Edmonton, 10 March 1944), 5

[154] Ibid., 15

[155] Ibid.

[156] Subcommittee on Industry, "Report on Industry," 14, 27

[157] Subcommittee on Finance, "Report on Finance," 87

The original Interim Program remained central to the government's postwar plans.[162] If Social Credit was right about the economic crises awaiting Canadians in the postwar years, public support of the Interim Program was absolutely vital. Predicting large-scale deflation and an unparalleled postwar depression, Solon Low argued "Trade Claims and Vouchers will in that day be a boon to the business of distributing goods and services in this Province, and will be the most important factor in keeping up production for use, while those parts of the world not yet provided with a scientifically-reformed system of distribution will continue to suffer the full impact of the deflation-induced period of business stagnation and unemployment."[163] Even without economic collapse at the end of the war, Social Credit believed the public should support the Branch system in preference to the eastern-based banks which would be apt to sacrifice developments in Alberta if external economic conditions so warranted.[164] The only reasons the province was not already industrialized were that eastern industries feared they would suffer by losing the Alberta market; and that Finance, which, of course, controlled eastern industry, would not lend the money to enable industrialization to take place.[165]

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[158] Subcommittee on Social Welfare, "Report on Social Welfare," 29

[159] See the untitled memo of 21 Jan. 1939, by W.W. Cross, Minister of Health, in Premiers' papers 69.289, file 150. On the influence of back-to-the-land policies as a cure for unemployment elsewhere see Struthers, *Unemployment and the Canadian Welfare State*, 9.

[160] Dept. of Public Works papers, Social Credit Board files, 68.308, box 1, file 5, "Difficulties of Establishing Health Insurance," 5 May 1938, W.W. Cross

[161] Premiers' papers, 69.289, file 1222, Aberhart to Charlotte Whitton, Secr. Central Committee of Community Chests and Councils, 19 Sept. 1940

[162] In contrast, Elliott and Miller argue that, by early 1943, "Aberhart had no economic plan, knew of none which would work..." (*Bible Bill*, 305).

Recognizing the difficulty of continuing to expand the number of Treasury Branches and agencies during the war, the government had instead tried to strengthen the Branch by expanding services and encouraging the use of existing services.[166] Before the 1940 election, it had included a Building Act in the Interim Program, with the intent of promoting employment, the use of Alberta building materials, and the creation of better housing.[167] Next, it had resurrected the idea of increasing the use of barter to conserve cash, without interfering with the wartime monetary policy of the federal government.[168] Then, it had added new restrictions for the conversion of vouchers to cash and tightened regulations covering the increased 5% bonus to ensure qualifying goods were more wholly made in Alberta. When blockages at the wholesale level -- blamed by Manning on a sinister attack by the Edmonton Chamber of Commerce and Calgary Board of Trade -- had persisted, the government had offered a 2% bonus in addition to the 5% bonus on purchases of Alberta trade-marked goods made with vouchers to a maximum of $100 in purchases.[169]

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[163] *TT*, 1 May 1941

[164] Subcommittee on Finance, "Report on Finance," 85

[165] Legislative Assembly Executive Council papers, 64.11, box 8, file 232, "Treasury Branches, Evidence Taken by the Public Accounts Committee of the Alberta Legislature, Session 1943," 25, 26, 29, 30 March 1943

[166] Premiers' papers, 69.289, file 937b, "Expansion Program," n.d.

[167] The Building Act allowed for the establishment of building societies and issuance of debentures guaranteed by the province (*TT*, 14 March 1940).

[168] Wood papers, 86.125, box 4, file 155, "Memorandum of the Development of the Interim Programme, bonus" n.d.

In July 1941, discovering an unexpected constitutional latitude, the Treasury Branch had begun its first cautious experiments with loans.[170] At this time, the loans were not made to create money; they were only offered against equal reserves of cash on deposit.[171] Smaller loans were generally referred for approval or rejection from the local branch or agency to the central Loans Committee. Applications for loans over $10,000 were automatically referred to the Executive Council.[172] All "important points" of Branch business were also taken up with the minister, and Byrne regularly updated the cabinet on Branch business.[173] Clash, as head of the Marketing Board, and Olive, as acting superintendent of the Branch, collaborated so that they could provide mutual assistance to businesses. In the long run, the lack of an arm's length relationship between the Branch and the government would have serious consequences.[174] For now, though, it allowed the government to maintain close control over any assistance it offered through the Branch.

In 1941, the government had also amended its insurance program to include life insurance.[175] In 1942, it had established Marketing Services to take care of the trading activities of the Marketing Board and hopefully overcome public confusion between the promotional and trading activities of Board.[176] The Act also allowed Marketing Services to advance monies to corporations to a maximum of $100,000. Alongside the Interim Program, the government had also continued promoting credit unions and co-operatives.[177] Progress, however, had been frustratingly slow.

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[169] *TT*, 24 Apr. 1941

[170] *Statutes of Alberta*, 1940, chapter 14, An Act to Amend the Treasury Branches Act

[171] Legislative Assembly Executive Council papers, 64.11, box 8, file 232, "Treasury Branches, Evidence Taken by the Public Accounts Committee of the Alberta Legislature, Session 1943," testimony of L.D. Byrne, March 1943

[172] Provincial Secretary papers, 71.441, box 1, file 3a, Olive to Low, Prov. Treas., 27 March 1941

[173] Legislative Assembly Executive Council papers, 64.11, box 8, file 232, "Treasury Branches, Evidence Taken by the Public Accounts Committee of the Alberta Legislature, Session 1943," testimony of L.D. Byrne, March 1943

[174] Hesketh, "Company A, Company B Charges"

[175] *Statutes of Alberta*, 1941, chapter 9, An Act to amend the Government of Alberta Insurance Act; *TT*, 8 Jan 1942

The reasons were not hard to find according to L.D. Byrne. In late 1942, he reported that the administration of the Branches was marked by mediocrity. The lack of manpower due to the war and the low salaries offered by the Branch meant it attracted employees "discarded by the banks," who lacked knowledge of the objectives of the Interim Program and were not actively seeking the insurance business. The government did not escape Byrne's censure either. Too many government accounts were still in the banks rather than the branches; the deputy provincial treasurer lacked knowledge of government policy regarding the Interim Program; and the audit was conducted by men "who apparently have no knowledge, nor the inclination to acquire any knowledge, regarding the policies and principles governing the Treasury Branch system."[178]

What Byrne was less willing to acknowledge was that the public still did not trust the Branch's cumbersome voucher system. A review committee appointed by the government that included, among others, Hooke, Aberhart, Manning, Low, Ansley, and Byrne as advisor, reported that farmers and wholesalers still refused to accept the vouchers (in 1941, only 15 of 385 wholesalers in Alberta were registered in the Program);[179] approval of loans by the loans committee was slow and cumbersome; there were too few trade marked goods to induce consumers to earn the bonus; more branches were needed; and, staff had to be better trained. In various reports, Byrne and the committee recommended the Interim Program be strengthened by channelling more government services through the Branch, providing still more incentives for using the vouchers, and expanding the number of Branches. To induce more wholesalers to co-operate, the committee recommended the government provide credit at low interest rates to help participating wholesalers to expand their operations across the province.[180]

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[176] *Statutes of Alberta,* 1942, chapter 56, An Act to amend The Alberta Marketing Act; Provincial Secretary papers, 71.441, box 13, file 16em, "Interim Programme, Preliminary Report and Recommendations," 9 Nov. 1942

[177] *TT,* 19 Jan. 1939, 26 Jan. 1939; Legislature Library papers, 74.1, box 9, file 237, "Alberta Series, No. 19, Co-operatives and Credit Unions, broadcast by E.C. Manning," n.d.

[178] Provincial Secretary papers, 71.441, box 13, file 16em, "Interim Programme, Preliminary Report and Recommendations," 9 Nov. 1942

[179] Powe, "Interim Program," 157

The problems persisted, however, and internal surveys finally convinced the government that the public's lack of confidence could only be overcome by the increased use of cash in place of vouchers.[181] The government explained that the end of the vouchers would make the system less complicated and encourage patronage of the Branch.[182] Many MLAs, Socred group leaders and branch managers argued that the branch also had to stop running deficits. Despite the objections of such Douglas loyalists as L.D. Byrne, the government backed the bonus with a reserve fund and in 1943 ended the Alberta preference and lowered the bonus to 2 per cent. The government now wanted the branch to break even financially.

In appearance these revisions to the Interim Program transformed the branch into an orthodox bank in all but name. Hence, the history of the branch has always appeared to scholars to be consistent with the supposed trend of Social Credit towards conservatism and orthodoxy in 1943-44, the years when the government made peace with the Alberta business community in an effort to halt the socialist CCF in the 1944 provincial election.[183] Appearances were deceiving.

In confidential briefing sessions in September 1943, branch Superintendent A.K. Olive and various cabinet ministers explained the revisions to branch managers. First, they emphasized that the battle for social credit was not ending. While C.E. Gerhart, deputy municipal affairs minister, urged "Let's get that Shylock out of here," other ministers encouraged the managers to be proselytizers of the social credit message, to argue against postwar constriction of credit, and always to remember that their job was to achieve general public use of the branch so the government could gain control over credit creation.[184] Although some managers, objected, as Byrne had, to decreasing the bonus, the government knew it did not constitute any meaningful abandonment of Alberta boosterism or social credit. Surveys showed the bonus had a very limited impact on the provincial economy and predicted its discontinuance would result in the loss of only a few small accounts without noticeably affecting overall deposits in the branch.[185] Provincial Secretary A.J. Hooke, a strong supporter of Douglas, captured the spirit animating the Interim Program's new approach, with its apparent abandonment of social credit and acceptance of orthodoxy, when he explained that the government was following "devious routes" to social credit.[186] Here was the essence of the government's strategy for the Treasury Branch -- in the future it would fight the Money Lords by using the banks' own tactics.

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[180] Provincial Secretary papers, 71.441, box 13, file 16em, "Interim Programme, Preliminary Report and Recommendations," 9 Nov. 1942; Ibid., box 13, file 16em, "Report of Interim Program Committee," n.d.

[181] Premiers' papers, 69.289, file 937b, "Report of the Interim Program Committee," n.d.

[182] Legislature Library papers, 74.1, box 9, file 237, Alberta Series, No. 11, Treasury Branches, broadcast by Solon E. Low;," n.d.

[183] Powe, "Interim Program," 172-212; Barr, *Dynasty*, 114, 125; Mallory, *Social Credit and the Federal Power*, 115; Whalen, "Social Credit Measures in Alberta," 514; Elliott and Miller, *Bible Bill*, 280-81; Finkel, *Social Credit Phenomenon*, chapter 3

To strengthen the Treasury Branch so that it could attract clients from among the general public, the government intended to follow Byrne's advice and channel a wide range of its services through the Branch, from auto licenses, fire and life insurance, birth certificates, and agricultural, oil, and mining leases to estate services and information about government programs. In philosophical terms, Social Credit believed that taking government services closer to the people enhanced democracy and undermined the campaign of the Money Lords to centralize power in the state.[187] On a more practical level, the public would have to patronize the Branch because of the services it offered; the Branch would benefit by charging fees for its services; and in time the public would transfer their accounts because of the convenience and benefits. Eventually, the government hoped that local taxes would be paid at the Branch and that all local governments and hospital and school boards would transfer their accounts to the Branch. Manning explained how the system would work in combination with school divisions and health units:

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[184] Premiers' papers, 69.289, file 938A, "Conference, Treasury Branch Managers," 10 Sept. 1943; Ibid., "Conference, Treasury Branch Managers," 11 Sept. 1943

[185] Ibid., 69.289, file 938A, Olive to Manning, 16 Aug. 1943; Ibid., 69.289, file 938A Olive to Low, 27 Aug. 1943

[186] Premiers' papers, 69.289, file 938A, "Conference, Treasury Branch Managers," 10 Sept. 1943; Ibid., "Conference, Treasury Branch Managers," 11 Sept. 1943

[187] Post-War Reconstruction Committee, *Report of the Post-War Reconstruction Committee,* 21

> The goal towards which we are working is the co-ordination of enlarged municipal and school units. Ultimately we would like to see each of these served by a health unit and a district agriculturalist and finally all of these re-organized units should be provided with a provincial government office in the nature of a Treasury Branch equipped not only to enable the people to make use of their own credit resources, but to act as a branch office for the various provincial government departments. In this way public services will be decentralized throughout the Province and the farmer will be able to obtain speedy, personal attention on many matters which, at present, he is obliged to deal with by correspondence.[188]

The ultimate goal, Gerhart explained to the managers, was to entrench the Branch in local communities, making it "so strong and necessary to the people that no matter what Government comes into power it will be a necessity in their district." The opposition had not "caught the vision" of the Interim Program; it did not understand that, if the Branch succeeded, social credit would triumph even if Social Credit lost.[189]

To strengthen the Treasury Branch so that it could attract clients from among the business community, the government relied on the Branch's ability to lend money and related assistance it could provide through such agencies as the Marketing Board. Branch loans could be the new key to achieving social credit. The APWRC lamented that the deposit base of the Treasury Branches was still too small to be a major force in the creation of money "by pyramiding a credit-loan structure." As a result, the chartered banks retained control of the

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[188] Legislature Library papers, 74.1, box 9, file 237, "Alberta Series, No. 9, Municipal Government, broadcast by E.C. Manning," n.d.

[189] Premiers' papers, 69.289, file 938A, "Conference, Treasury Branch Managers," 10 Sept. 1943; Ibid., "Conference, Treasury Branch Managers," 11 Sept. 1943

"monetization of the real resources of the province."[190] But, following the war, the government would expand the branch system. The deposit base would increase, and the branch would create money through overdrafts and pyramided credit-loan structures in keeping with social credit principles and with the goal of building the provincial economy and freeing Alberta from the Money Lords.

When Social Credit referred to the pyramiding of credit, it differed from pyramiding as practiced by an orthodox bank. To a bank, pyramiding simply meant providing expanding credit in response to a client's expanding productive base. In contrast, the Branch's approach drew on Douglas's writings about the time lag problem in releasing purchasing power. It will be recalled that, in response to those who disagreed with the A + B theorem and argued that B payments were released as purchasing power though in different production cycles, Douglas countered that his A + B theorem remained valid because there was always a delay in releasing purchasing power; therefore, in any one production cycle there was a shortage of purchasing power.[191] To overcome the time lag problem, Douglas social credit suggested that, rather than the banks loaning to businesses to pay for intermediary production (B payments), the government, or its agencies, should either grant interest-free loans so that the costs would not be passed on to consumers or else provide the consumers with offsetting purchasing power through price discounts or in the form of dividends created outside the production cycle. Alberta Social Credit had failed to deliver the latter two alternatives -- it had been blocked by the constitution from paying dividends, and the consumer bonus under the Interim Program had enjoyed little success. As discussed previously, the government had earlier attempted to control the rate at which the costs of intermediary production were released in prices under the Department of Trade and Industry Act, Amendment Act, 1936 (No. 2). It now revived the idea. By controlling the rate at which clients paid for their loans, the Branch could regulate the effects of the costs of intermediary production on prices, delaying the impact until after the equivalent purchasing power had been released through increased productivity. Other implications of pyramiding loans will be discussed in the next chapter.

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[190] Post-War Reconstruction Committee, *Report of the Post-War Reconstruction Committee,* 83-84; Post-War Reconstruction Committee, *Interim Report,* 84; Premiers' papers, 69.289, file 938A, "Conference," 10 Sept. 1943

[191] Douglas, *Old and New Economics,* 19

The government's interest in attracting business support for the Branch also reflected its search for new allies in the war against Finance. Socialists were no longer acceptable allies. The APWRC anticipated a fast-approaching cataclysmic struggle following the war between the forces of good and evil.[192] Manning predicted the ultimate division of the Canadian nation into two camps. On one side would be the advocates of state dictatorship who believed in a "purely materialistic concept of life." On the other side would be those who believed in a "properly functioning Christian democracy based on the highest ideals of our British traditions."[193] To be prepared, Social Credit had to find new allies. Its attacks on the socialist menace of the CCF helped it draw closer to business in the months leading up to the 1944 provincial election.

In seeking his first mandate as premier from the people of Alberta, Manning pledged to follow a similar course to that of Aberhart. First, Social Credit's fight against the vicious financial system would continue. "We will never turn back; we will never quit," he promised. Second, Social Credit would continue to expand social and other public services as revenues allowed. Third, Social Credit would provide honest efficient administration. *Today and Tomorrow* emphasized the dichotomy between the two policies being pursued in the world. The one policy, advocating Social Credit, Christianity, and Democracy, tried to free the individual. The other policy, backed by Finance and advocating the State Socialism of Karl Marx, tried to enslave the individual. Social Credit reminded its supporters: "we wrestle not against flesh and blood, but against principalities, against powers, against the rulers of the darkness of this world, against spiritual wickedness in high places."[194] The government's growing acceptance in business circles and the weakness of the uneasy unity movement between the Conservatives and Liberals[195] helped Social Credit win the 1944 election, capturing 51 of 57 seats. The CCF won 2 seats, although it received 25% of the popular vote.

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[192] Post-War Reconstruction Committee, *Interim Report*, 92

[193] Premiers' papers, 69.289, file 1824,"National Series No. 4, 'This Is a Crusade'," n.d.

[194] *TT*, 8 Aug. 1944

Social Credit's new level of acceptance among businessmen, however, did not moderate its conspiratorial extremism which had steadily increased as the war progressed. By July 1945, Manning feared that the "stage is set for economic disaster on an unprecedented scale--and I think that possibly the next five to seven years may prove decisive in averting the collapse of civilization of which the havoc of this war is but a phase. [U]nless those who can foresee the terrible situation which is developing can come together for the purpose of initiating effective counter-action before it is too late, the future outlook is ugly in the extreme."[196] The Social Credit Board echoed Manning's concerns, which was not surprising since Manning often helped write the Board's reports![197] In its view, the events of 1945 marked "the rapid development of the final stages of the world conspiracy" and presaged an inevitable struggle whose "duration and intensity will depend entirely on the degree of enlightenment of the people."[198]

With the war in Europe ending and the outlines of the Cold War emerging, Social Credit believed that it was witnessing the final days before the renewal of conflict between the forces of enlightenment and Russia, which had replaced Germany as "the political instrument of the international planners."[199] Manning's religious beliefs again reinforced his understanding. Based on the prophecies, the Calgary Prophetic Bible Institute's *Prophetic Voice* explained that the antichrist would eventually emerge as the ruler of Russia and lead ten great nations to attack Palestine. Germany would be a subservient ally of Russia.[200] Finance's plot to create a world dictatorship based on an international monetary fund and a renewed league of nations was drawing ominously close to fulfilment. Social Credit sensed the world darkening about it. For some time it had known that Finance's headquarters had moved from England to America. According to the information Social Credit was receiving, those headquarters were now located in the Wall Street firm of Kuhn & Loeb.[201]

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[195] Serfaty, "Unity Movement," 8

[196] Premiers' papers, 69.289, file 1261, Manning to McLean, 5 July 1945

[197] University of Alberta Archives, Ernest Manning interviews, 81-32, Interview # 8, 20 Aug. 1937, 21-22

[198] Wood papers, 72.309, file 29, "Alberta Social Credit Board Annual Report, 1945, Presented to the Legislative Assembly of the Province of Alberta at its 1946 Session"

[199] Ibid.

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[200] *Prophetic Voice* 1:8(Feb. 1943), 2-3; Ibid., 2:11(May 1944), 8-9; Ibid., 3:4(Oct. 1944), 6; Ibid., 4:1(July 1945). 4-6. The biblical verses cited for these ideas included Rev. 13:2, Daniel 7:5 and 11:15-21, and Ezekiel 38:2-3.

[201] Wood papers, 68.74, box 1, item 94, "The Eclipse of Democracy," by Hon A. J. Hooke. Hooke's address was delivered to legislature in regular session in 1945.

Chapter Eight

SOCIAL CREDIT IDEOLOGY FOLLOWING THE WAR

To the end of the Second World War, there was little difference between the policy of the Manning government and that of its predecessor. Admittedly, Manning tended to separate government and Social Credit messages from bible messages more than Aberhart had, but there was no sharp distinction. Manning believed that Social Credit was a Christian movement, and, when important events took place, religious allusions often crept into his political rhetoric. Under Manning, the compromise between the Douglas and Aberhart strategies for achieving social credit also remained intact.

Within the Canadian Social Credit movement, the conflict between the proponents of those two strategies -- between the Douglasites and the Manning mainstream -- was contained through the war years by their shared commitment to the war effort and by the terms of the compromise. That is, the Douglasites accepted gradualism so long as the Alberta government continued its high-pitched attack on the Enemy. The government accepted the Douglasites so long as they stayed within constitutional limitations and co-operated with the government's policy of gradualism.

In spite of their differences about the correct methods to achieve social credit, the two factions for now shared a common direction, goal, and anticipation of an impending apocalyptic conflict. In response to Douglas's demand that the nature of the enemy must be clarified to mobilize public support, the Manning government repeatedly detailed Douglas's conspiratorial understanding of history and attacked socialism. In response to Douglas's teaching that government became a slave to Finance through borrowing to pay for wars and social safety nets, the Manning government called for the conscription of wealth before manpower, a balanced budget, and opposition to social insurance programs. And following Douglas's position that the tendency of business towards monopoly was a defensive strategy to escape from Finance, the Manning government tried to bring the capitalists over to Social Credit's side.

Manning's choices might not have been Douglas's, but under the conditions of war, they were acceptable. Although Douglas had earlier advocated alliances with socialists, he may have encouraged the switch to business. Douglas understood that Finance's policy was pyramidal centralization. He referred to it variously as a policy of Monopoly or Totalitarianism. Socialism was one form of administration available to establish totalitarian control. Douglas found the Second World War trend to socialism throughout the world most troubling. When he attacked socialism as the primary enemy of the free individual, he could not so easily favour alliances with socialists. Businessmen were natural opponents of socialism. An alliance with business was consistent with Douglas's support for individual enterprise and the bondholder society, fit in with the Alberta government's support for gradualism, and appeared to offer some hope of securing the allies Social Credit needed to defeat the Money Lords. At the political level, Douglas encouraged a similar switch. In his understanding the Liberal Party was corrupted by socialism. Get the Conservative, he advised federal Social Credit MP Norman Jaques. "Neither the Liberal nor the Marxian is any good to us."[1] Byrne advised Low to approach the federal Conservatives about the possibilities of co-operation, following which some exploratory talks were held in 1945-46.[2]

The Manning government continued to honor its compromise with the Douglasites following the war. For the Alberta government, finding a solution to the debt problem and promoting the Interim Program were key to winning business support. The former was finally achieved in July 1945 when the government gave preliminary approval to a plan of debt readjustment. In support of the Interim Program, the government established the Department of Economic Affairs, which was to seek out domestic and foreign managers, craftsmen, and investors.[3] It also provided $5 million for the newly created Alberta Industrial Corporation to loan to new industries to help offset the capital costs of establishing in Alberta. Although the budgets of the Marketing Board and the Alberta Industrial Corporation were small by post-Leduc standards, at the time they seemed to be significant ventures which could help build a diversified, though still dominantly agricultural, economy for Alberta. To help the Branch overcome its deficit in preparation for its role in the postwar world, the government invested $15.5 million in federal government bonds for it in 1945. To attract business clients to the Branch and encourage economic diversification, the Department of Economic Affairs urged new businesses coming to Alberta to bank at the Branch; the Marketing Board and the Industrial Corporation provided their loans through the Branch; and, most importantly, the Branch began aggressively lending to businesses.

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[1] GAI, Patrick Harvey Ashby papers, M31, "Copy of Transcription of Conversation Between C.H.D[ouglas]. and N[orman] J[aques], M.P. by Tudor Jones," 1944

[2] See the Low papers, M695, file 35.

[3] Premiers' papers, 69.289, file 1261, "By Hon. Ernest C. Manning, Premier of Alberta," n.d.

When the Manning government began its first pyramiding experiments following the Second World War, it sought successful businessmen operating in expanding sectors of the economy and willing to bank at the Branch in spite of its comparative lack of experience with business accounts. The Branch's small deposit base created the potential for pyramided loans on a very limited and selective basis only.[4] Manning, who served as Treasurer from 1944 to 1954 and was thus directly responsible for the Branch, and the cabinet made the final decisions when major loans were to be pyramided. In keeping with the findings of the APWRC that tourism offered the greatest potential as a supplement to agriculture, government policy called for hotels and farmers to receive the Branch's first pyramided loans. Soon, the Branch was also pyramiding loans to lumbering operations, an agricultural implement manufacturer, highway construction firms, and, later, to several inter-related oil field supply companies. The program reached its peak in terms of loan values in the 1950s. Cabinet also sometimes decided to coordinate the Branch's pyramided loans with support from other government agencies and departments in order to maximize the benefits of pyramiding.

In keeping with Douglas's ideas about monetizing hidden reserves, the Branch based risk evaluation on a loose definition of the client's potential, rather than existing, productive capacity. The assumption of growth inherent in this approach justified the Branch's provision of additional credit, which was to help actualize the potential or "future production" of the client. However, because the Branch did not wait for the growth of the client's actual productive base, and hence of the Branch's collateral, pyramided loans were often inadequately secured. As mentioned, the Branch typically also accepted delays on the repayment of a pyramided loan to regulate the rate at which the costs of intermediary production passed into costs. Even payments due from assigned contracts would be waived. At least implicitly, the branch encouraged the client to use such retained earnings as well as monies loaned for specific operating expenses to undertake other new contracts or to increase fixed assets, thus increasing productive capacity. The client could then utilize this increased capacity to undertake still more and larger contracts, with the Branch pyramiding the loan still further in an ongoing cycle of growth promotion. The goal of pyramiding was to turn those Branch clients into industry leaders in their economy sectors. Their success would attract other clients to the Branch, secure a dominant position for the Branch in Alberta's economy, and undermine the banks. As has been shown elsewhere, although some of the Branch's clients did become industry leaders, almost every major pyramided loan granted by the Branch turned into a long-term problem loan.[5] Unfortunately, again in keeping with Douglas's ideas, for years the government did not establish a reserve fund for troubled loans since banks could create money virtually at will and a reserve fund would unnecessarily restrict purchasing power.

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[4] The Branch was also restricted by law in its ability to make loans. It could not offer loans against as small a fraction of the money it had on deposit as the banks. PAA, Alberta Social Credit League papers, 82.153, file 115, H.E. Nichols, Information Services, Dept. of Economic Affairs to John Milliner 31 Dec. 1952. My thanks to Colleen Judge for this reference.

Through the postwar era, the Manning government's support for the Interim Program was modified by several major events: the failure of the predicted massive postwar depression to develop, the public's growing desire for material progress and support for social insurance programs, the Leduc oil discoveries and the increased American influence which followed, and, most importantly, by Alberta's emerging prosperity, which ended the economic conditions Aberhart had once believed interfered with man's quest for salvation and thereby removed the immediate need for social credit monetary solutions. Yet none of these caused the government to break its compromise with the Douglasites or abandon its social credit ideas. The compromise was shattered by the Douglasites.

As indicated in the last chapter, except in one aspect, the government's analysis of twentieth century history and current events had more closely approximated that of Douglas as the war progressed. The exception was Douglas's anti-Semitism. Into the postwar era, Douglas continued to point to Totalitarianism as Social Credit's chief enemy. To overcome Totalitarianism, he argued the immediate issue was "in the realm of Law and military power." Finance was the second trench to be taken.[6] Yet, Totalitarianism was merely the policy of the enemy. By the 1940s, Douglas's anti-Semitism was unclosetted and his pretended hesitancy about violence, gone. He condemned the conspiracy as the ultimate expression of Jewish values. If the enemy triumphed, he predicted Jewish Finance would be at the apex of the Pyramid.[7]

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[5] Hesketh, "Company A, Company B"

The influence of *The Protocols of the Elders of Zion* on Douglas was now manifest. Douglas termed his indictment of the Jews racial rather than personal because he believed Jews sought a "permanent policy which aims at establishing the individual Jew as a member of a 'chosen,' superior, dominant and ruling class in every country and over the whole world..."[8] The Jews were linked in Douglas's thinking to the Freemasons, who provided "*the mechanism by which policy selects its administrators, just as Finance is the mechanism by which the administrators recruit their servants and keep them obedient.*"[9] Douglas spoke of the war with the Jews as one of cultural annihilation.[10] The goal of the conspiracy was to destroy individualism. Individualism drew its greatest sustenance within the British Empire, which, therefore, was the enemy's primary target. As Douglas explained to one Socred MP, "Keep steadily in mind that this is a cultural war to the death, that the economic war is only incidental."[11] According to Douglas, the Jew would use any method to attain power.[12]

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[6] C.H. Douglas, *The Development of World Dominion* (Sydney, Australia: Tidal Publications, 1969), 1-2. The book is a collection of Douglas's writings from the late years of the war to 1950.

[7] C.H. Douglas, *The Fig Tree: A Douglas Social Credit Quarterly Review "Whose Service is Perfect Freedom,"* (London: K.R.P. Publications Ltd., n.d.), 152

[8] Ibid., 154

[9] Ibid., 155, 204; Douglas, *The Development of World Dominion,* 18

[10] See the memo signed C.H.D. and dated 7 August 1946 in the Ashby papers, M31.

[11] See the undated House of Commons memo initialled by Douglas in Ashby papers, M31. Also see the memo signed C.H.D. and dated 7 August 1946 in Ibid. and C.H. Douglas to Ashby, 23 Nov. 1946, in Ibid.

Socialism, fascism, and bolshevism were different methods of administration advocated by Jews in order to secure power without responsibility. He also argued that, to break down and obliterate the British culture, the enemy promoted "cross-breeding with inferior stock" and subversive propaganda. Already, he stated, the general level of intelligence was declining in Britain, particularly among large families with a large admixture of alien stock.[13] Jews were also behind anti-Semitism in all nations, including Germany.

Recounting his understanding of history, with the role of the Jews now explicit, Douglas explained that the Jewish conspiracy had used the First World War to foment revolution in Russia, establish the League of Nations, and force Britain into "financial subjugation." Following the war, the Jews had gained control over the German economy through inflation and exploited the German people, paying them starvation wages. According to Douglas therefore, the Jews, themselves, had sparked the German hatred of Jews. But this did not adequately explain the Machiavellian design Douglas detected behind the outbreak of anti-Semitism in Germany between the wars. He argued that anti-Semitism was the result of deliberate Jewish planning and organization. As he put it, "[t]he Higher Command is concerned with victory -- not with the loss of a few troops."[14] Douglas thought Hitler, who was the creation of International Finance, might actually be the grandson of a Viennese Rothschild.[15] The "so-called" persecution and racial discrimination under "herr Hitler's so-called Race Purity Laws" were "merely an inversion of Jewish custom," he attested. The supposed number of atrocities were vastly exaggerated and did not compare to the millions of atrocities the Soviet government had committed during the collectivization of agriculture. German National Socialism, itself, was a variant of Jewish creed and was subsidized by Jewish

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[12] C.H. Douglas, *The Brief for the Prosecution* (London: K.R.P. Publication, 1946). The articles were originally published between May and September of 1944.

[13] Wood papers, 68.74, file 9, 'Realistic Constitutionalism," address by C.H. Douglas, 8 May 1947

[14] Douglas, *The Fig Tree*, 191-92

[15] Douglas sometimes referred to Hitler as Herr Schicklegruber-Hitler-Rothschild (Douglas, *Programme for the Third World War*, 5).

money.[16]

During the Second World War, Douglas speculated that, when the conspiracy had found it could not control Hitler in the late 1930s, it had embarked on a program aimed at war.[17] "Hitler had served his purpose in turning Germany into a modified copy of Russian Communism, more correctly described as a police state" and now he was to be punished for his attacks on Jews. The conspiracy used the military of Britain and France to do its "dirty work," while under the cover of the war, it advanced its plans for a World Police State.[18] The really important Jews in Germany were safe; in fact, it was they who financed Hitler. The lesser Jews had fled to countries like England where they constituted a fifth column force obedient to the conspiracy.[19] Jews now occupied positions of power and profit in all the combatant nations.[20] Given Jewish policy, Douglas argued that the "*first and primary enemy is within the gates of every nation* and the first war should be upon him."[21] He suggested that, before the Second World War even started, the conspirators agreed among themselves that their final goal was "World Super-Hitlerism" and the elimination of Britain in a "cultural sense." He feared the conspiracy was winning, and that, even if the allies won the war, Democracy would lose the peace.

As the war drew to a close, Douglas's anticipation of an imminent postwar apocalyptic conflict actually increased. He predicted the Zionist State in Palestine would be the geographical centre of World Control and New York would be the centre of World Financial Control under the direction of German Jewish emigres.[22] As suggested, he believed the firm of Kuhn & Loeb was the financial centre of the conspiracy. He claimed Kuhn & Loeb had financed Hitler, while a close associate of the firm, Sir Ernest Cassel, had financed the London School of Economics.[23] He was convinced the conspiracy was aiming to impose the Russian model of totalitarianism on the world. He defined Zionism as tenancy-in-common of property and explained that Marx had been financed by the Jewish millionaire Engels.[24] The goal of the Jews was communism and the defeat of individualism. The group ethic was to replace freedom of choice exercised by the individual.

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[16] Ibid., 155, 204; Douglas, *Brief for the Prosecution*, 4; Douglas, *The Development of World Dominion*, 18

[17] Douglas, *The Fig Tree*, 177, 161-62

[18] Ibid., 170, 163

[19] Douglas, *Brief for the Prosecution*, 82

[20] Douglas, *The Fig Tree*, 191-92

[21] Ibid., 155, 204; Douglas, *The Development of World Dominion*, 18

[22] Douglas, *The Fig Tree*, 170, 163

In keeping with the general urgency Douglas detected in the international situation and the threat of socialism in Canada, since 1942 Alberta Social Credit had engaged in an increasingly strident attack on Finance and its minions. The Douglasites hoped that, once the war ended, Social Credit would reject gradualism and return to Douglas's strategy of confrontation. The extremism of many of the Douglasites was heightened by their anti-Semitism. There was a second reason the Douglasites wanted to reject gradualism following the war -- the negative impact they believed gradualism had had on the Alberta party through the war years. Membership had fallen because of the abandonment of Douglas's strategy of attack. Alberta was supposed to be the vanguard of the world Social Credit movement, but the war had necessitated co-operation with Ottawa and placed the movement in a defensive position. The war had allowed the Enemy to centralize power in Ottawa and to remove possible sanctions (income and corporation tax powers) from Alberta's arsenal of weapons. When the Manning government negotiated a scheme for paying the provincial debt, it removed yet another effective sanction from Alberta's arsenal.[25] Perhaps the most deadly fault of gradualism was that it permitted the Enemy to see Social Credit's strategy and to take counter actions.

The Douglasites were encouraged by the Alberta government's adoption of Douglas's conspiratorial understanding of history during the war and its continuing attacks on the conspiracy following the war. Their shared understanding of the world enhanced the

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[23] Ibid., 201; Douglas, *Brief for the Prosecution*, 8

[24] Douglas, *The Fig Tree*, 166

[25] James papers, M574, box 1, "Report submitted to the Alberta Social Credit Board by L.D. Byrne, Technical Adviser to the Board, January 1948." The report was submitted after Byrne's firing by Manning.

Douglasites' status in the national and Alberta Social Credit movements. After the failed experiments with the New Democracy movement and the DMRO, Social Credit had initiated an "On to Ottawa" campaign in 1944. Federal candidates in the 1945 election had run under the Social Credit name. Among the 13 Socred MPs elected there were several Douglasites, such as Norman Jaques, Patrick Ashby, and Anthony Hylinka, who were disciples of Byrne and Douglas. Even the new federal leader, Solon Low, was very sympathetic. The federal MPs had a ready-made propaganda tool after *Today and Tomorrow* was incorporated into *The Canadian Social Crediter*, with the first issue published by the Social Credit Association of Canada in October 1944. In essence, by trying to support the national movement, the Manning government had ceded control over its own propaganda tool. The editor of the paper, John Gillese, was an ardent Douglasite. The dominance of the Douglasites in the small federal caucus and their influence over the ongoing "On to Ottawa" campaign further strengthened the hand of the Douglasites in the Alberta party. There, Douglas supporters like Ansley and Cornelia Wood had become more influential as the government's attack on the enemy had grown in intensity after 1942. Ansley had entered the cabinet as minister of education where he joined Alf Hooke, another Douglas supporter. Wood headed the APWRC's subcommittee on social welfare and enjoyed greater prominence as a Social Credit spokesperson than some cabinet ministers. With the end of the war, the Douglasites in the Alberta party willingly embraced a return to the dynamic strategy of 1937. When the December 1945 Alberta Social Credit convention passed a resolution approving the renewal of the struggle for social credit, Manning stressed the need to respect Canada's laws and constitution.[26] The Douglasites soon began to stretch the limits acceptable to Manning.

Like Douglas, the Douglasites in the Alberta and national movements were particularly preoccupied with identifying the conspirators and clarifying their influence on world events.[27] Even before the war ended, their blunt charges of Jewish control of the conspiracy drew counter charges of anti-Semitism. Solon Low denied he was anti-Semitic and explained that Jews just happened to be prominent in international finance, revolutionary societies, and propaganda instruments.[28] Manning denounced anti-Semitism but suggested the charges of anti-Semitism were a ploy of the enemy:

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[26] *The Canadian Social Crediter* (*CSC*), 13 Dec. 1945

[27] Most of Douglas's books from the 1940s onwards include extensive musings on the connections of various prominent financiers to armaments, chemical, coal, and steel

> When Social Crediters were battling against the financial interests in Alberta during the early years they were denounced as "reds," "revolutionaries," and "a menace." Today, as the influence of Social Credit increases, we are being attacked for being "reactionary," "anti-Semitic," and "fascist." But it must be remembered that powerful forces exist to oppose any and every effort by the people to win their freedom. The enemies of Christian democracy are not all across the ocean; they are extremely active in this country.[29]

Given the shared conspiratorial extremism of the Manning mainstream of the party and the Douglasite faction, excising anti-Semitism would prove difficult for Manning. The Douglasites ignored Manning's caution and pressed the attack. Attributing the conspiracy to fasten communism on the world to Jews and Jewish values seems to have been a deliberate tactic rather than a spontaneous outbreak of anti-Semitism. Soon after the war ended, Jaques, who had met with Douglas a few months previously, suggested the strategy to Wood: "We must associate both 'Shylock' & Marx as the real threat to world liberty."[30]

An opportunity for the Douglasites to clarify the nature of the enemy for the public arose when the final social credit act was presented to the legislature in 1946. The Douglasites may have hoped they could stampede the government into acting on the social credit provisions in the bill. Such was the strategy Jaques was told by Douglas he had wanted Aberhart to follow in 1935.[31] No corroborating evidence for Douglas's claim has been found, although the strategy was plausible. In any case, Manning inserted a clause in the bill

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industries, that supposedly contributed to the conspiracy's control over war and peace.

[28] *CSC*, 11 Jan. 1945

[29] Premiers' papers, 69.289, file 1261, "Alberta - Home of Social Credit, by Hon. E.C. Manning," n.d. The broadcast was in late 1944 or early 1945.

[30] Wood papers, 86.125, file 222, Jaques to Wood, 29 Sept. 1945

[31] Ashby papers, M31, "Copy of Transcription of Conversation Between C.H.D[ouglas]. and N[orman] J[aques], M.P. by Tudor Jones," 1944

requiring its referral to the courts. The Alberta Bill of Rights, which was passed by the Alberta legislature in March 1946, was referred to the Alberta Supreme Court, which rejected it the same year. An appeal to the Privy Council was later lost.

Soon after the Bill's passing, the Douglasites reverted to the strategy of 1937. *The Canadian Social Crediter*, for instance, initiated what Byrne referred to as a "crystallising policy" in the spring of 1946.[32] Prominent articles began naming the Jewish international financiers who masterminded the conspiracy; a feature entitled "Startling Facts of Recent History" ran for several weeks and provided a detailed review of Douglas's understanding of the twentieth century; and the paper warned of the dangers of political Zionism.[33] Articles by Jaques and Ashby, in particular, were almost a weekly feature.

Further charges of anti-Semitism again met with denials from Low and Manning. Manning once more declared his complete opposition to anti-Semitism but insisted Social Credit would go on attacking its opponents:

> The philosophy of life known as Social Credit embodies both political and economic democracy ... and is directed towards the attainment of freedom for each and every individual, irrespective of race, religion or anything else, with the assurance of the complete Social Security that this involves.
>
> The pursuit of this objective brings us into violent conflict with the adherents of the opposite concept of life, who are actively engaged in the enslavement of humanity and the perversion of every principle fundamental to the democratic ideal.
>
> In exposing and opposing the conspiracy of individuals and corporations seeking to impose a state of financial and economic dictatorship upon all nations, the advocates of Social Credit consider it most important that the facts of the case be placed before the people, irrespective of the colour, race or creed of the conspirator.[34]

The Douglasites again ignored Manning's rejection of anti-Semitism. After all, they could and did claim that they also rejected anti-Semitism and were only attacking the Zionist conspiracy. That defence was beginning to wear thin, however, particularly as a result of public revelations of the atrocities of the Holocaust. Within the party, opposition to the Douglasites' tactics was growing. The criticisms of some federal and provincial members caused Byrne to conclude that "the enemy has moved in and consolidated itself within the Movement." Under the circumstances, he believed compromise on matters of principle would be disastrous.[35] By the fall of 1946, Manning took more direct action to counter the anti-Semitic references in *The Canadian Social Crediter*. He wrote to the National Secretary of the Social Credit Association of Canada, Ron Gostick, objecting to the anti-Semitic references in the paper[36] and started pressuring its supporters for a move away from the negative articles of anti-Semites like Jaques and Ashby and towards a presentation of the "positive dynamic philosophy of Social Credit."[37] The paper temporarily moderated its anti-Semitic attacks, but not for long.

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[32] Low papers, M695, file 35, Byrne to Low, 20 May 1946

[33] See *CSC* for the spring and summer of 1946.

[34] Low papers, M695, file 486, "Manning Repudiates Anti-Semitism," n.d.

The Douglasites' renunciation of gradualism went beyond the effort to clarify the nature of the enemy -- with its associated anti-Semitism -- to include a series of measures intended to maximize individual freedom. It will be recalled that Douglas had originally favoured street-level canvassing to pressure elected representatives to enact social credit. In Douglas's understanding, the political party was a tool used by Finance to divide the people, preventing the unity necessary to achieve the results they wanted. In 1934, Douglas had accepted the notion of independent candidates if the existing parties refused to listen to the people. Nonetheless, Powell's social dynamics lectures on political action in 1937 had re-emphasized the need for voluntary groupings of electors to pursue political change. The free individual had voluntarily to engage in political action, surrendering his or her freedom only for desired results and never losing sight of individual responsibility. Non-party political action would guarantee that the electors controlled their representatives and secured the results they demanded. Beyond Douglas's philosophical reasons for opposing political parties, there were strategic reasons for street-level action groups. In 1942, Byrne had explained that the "only manner in which the average Member of Parliament can be brought to his senses is by such strong pressure from his constituents that his position as their representative is threatened, and he has the alternative either of obeying his electors, thereby winning thir [sic] support, or of flouting them and being turned out."[38] Douglas expanded on this idea in a 1944 interview with Jaques:

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[35] Ibid., file 35, Byrne to Low, 20 May 1946

[36] Premiers' papers, 69.289, file 1461, Manning to Ron Gostick, National Secretary, Social Credit Association of Canada, 20 Sept. 1946

[37] Ibid., file 1461, Manning to Major A.H. Jukes, Provincial President, Social Credit Association of Canada in British Columbia, 7 Oct. 1946

> if you DID get a monetary scheme accepted -- say in Alberta -- the fact is you simply would not be allowed to work it: this is in the strict sense of the word [a] military, not ... an intellectual proposition.
>
> And so, to preserve the military figure, we must regard intellectual agreement with us as simply something that happens in the recruiting office; but when you have got your recruits, you have to make it clear to them that they're going to fight somebody. -- Who? -- YOU HAVE TO GET PERFECT CLARITY AND AGREEMENT ABOUT THIS, WHAT WE ARE FIGHTING, THE REAL ENEMY, IS MONOPOLY. THIS IS THE REAL POINT AND WE HAVE NOT SOLVED IT OURSELVES: HOW TO SECURE THIS DOUBLE POSITION, THE RECOGNITION THAT RECRUITMENT IS INCIDENTAL TO ATTACK AND THAT ATTACK HAS TO BE DIRECTED TO THE RIGHT QUARTER AND EVERYBODY CONCERNED HAS GOT TO SEE THAT CLEARLY AND CORRECTLY.[39]

Political parties were just not suited for such attacks. At the April 1946 national Social Credit convention, the Douglasites succeeded in passing resolutions fully supporting the tenets and principals of Douglas social credit and directing the main efforts of the national party to the establishment of non-party electors' action groups.[40] In keeping with the national convention resolution, *The Canadian Social Crediter* began favouring non-party political action.

Two other measures Douglas recommended to protect individual sovereignty were the recorded ballot and taxation and the subsequent assignment of the benefits of government programs based directly on individual approval or rejection of every government expenditure. Both ideas, it will be recalled, were referred to in Byrne and Powell's lectures on social dynamics. Through the war years, as Douglas became convinced that the conspiracy was encouraging socialism as its primary tactic to gain world power, he insisted more and more that individual freedom must be maintained at all costs. To Patrick Ashby, he explained the necessity for a recorded ballot as a safeguard of individual responsibility: "Nothing could be more preposterous than the idea that the whole structure of Society is at the mercy of an anonymous vote, the holder of which does not know what he is voting for... The first step is to restore the open, published ballot, to make the voter personally and directly responsible for the results of his vote and any loss it may entail on anyone who voted adversely, and to get it out of the minds of the electorate that they are collectively sovereign, without limit over the individual." Allowing a government to take from one man and give to another restored the "Divine Right of Kings" without any checks or balances.[41] In 1946, along with opposing the party system, the Douglasites began to articulate their support for a recorded ballot and for Douglas's concept of taxation.[42]

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[38] *TT*, 8 Oct 1942

[39] Ashby papers, M31, "Copy of Transcription of Conversation Between C.H.D[ouglas]. and N[orman] J[aques], M.P. by Tudor Jones," 1944

[40] Low papers, M695, file 35, Byrne to Low, 1 Aug. 1948

The lull in the Douglasites' anti-Semitic references was broken in late 1946. Douglas's personal anxiety that the world would soon be thrown into a third world war was shared by his disciples and, for that matter, by many within the Alberta government. Under the circumstances, silence for either was impossible. The government attacked socialism. The Douglasites once more attacked the Jewish conspirators. Copies of *The Canadian Social Crediter* from this period offer a bizarre combination of diatribes against the Enemy and articles promoting the Alberta government's ongoing efforts to build Alberta industry in order to reduce dependence on Finance-controlled market. Thus, a reader of the 28 November issue could browse an article explaining that "International Finance, using Zionism as its tool, deposed the Czar of Russia and substituted a form of slavery and terrorism which makes Czarism seem like soft-hearted paternalism. Even the C.C.F. Socialists propose a peaceful revolution in which they would set up the same Satanic Materialistic Goddess of Reason and make us worship it." The reader could then skip a couple of pages and learn about the economic potential of Vegreville -- "The Town With a Future." Of course, readers of Alberta

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[41] See the undated House of Commons memo initialled by Douglas in Ashby papers, M31. Also see the memo signed C.H.D. and dated 7 August 1946 in the Ashby papers, M31; Ibid., C.H. Douglas to Ashby, 23 Nov. 1946.

[42] Douglas explained his views on contracting out of taxation measures in his 1947 address *Realistic Constitutionalism.*

Social Credit newspapers were accustomed to the juxtaposition of such articles. What was new by 1946 was the overt anti-Semitism.

When confronted with further charges of anti-Semitism, the Douglasites refused to back down. *The Canadian Social Crediter* claimed it was only attacking the Zionist conspiracy, not Jews.[43] To avoid falling into a defensive mode, Gillese advised his cohorts to close "all arguments by raising a counter-charge against the enemy..."[44] Taking his own advice, he maintained that the charges of anti-Semitism were trumped up by communist Jews.[45] In refusing to compromise, the Douglasites forced a confrontation with the mainstream of the party and, most particularly, with Manning.

The contest between the Douglasites and Manning began in earnest with the tabling of the 1946 Report of the Social Credit Board in the March 1947 session. The report advocated non-party political action and the recorded ballot.[46] In response, Manning affirmed the party's loyalty to social credit but rejected the Board's attack on British parliamentary traditions.

Manning was in a strong position and, over the next few months, his contest with the Board proved unequal. The Board had been established to discover a way to institute social credit in Alberta, but as has been shown, most of its efforts were devoted to Douglas's strategy for engaging the enemy. The Interim Program, the only viable social credit strategy Alberta Social Credit ever established, owed more to Aberhart's strategy than to the Board and strengthened the hand of the government. The Board's own strategy for implementing social credit rested on a mobilized public, but membership in the league had dropped dramatically from 41,000 in 1937, to 24,000 in 1940, to 2,500 in 1942, although it recovered to 12,000 by the time of the 1944 election.[47] The Board had also largely failed in its efforts to expand the struggle for social credit beyond Alberta. Although the Douglasites were active proselytizers for the cause across Canada and some of the spokespersons for other provincial associations adhered to Douglas's theories, the members looked to Aberhart and later to Manning, not to Byrne or Douglas.[48] The early experiments with the New Democracy movement and the DMRO had been failures. The national Social Credit party stood a better chance for survival but with its adoption of non-party political action, it seemed bent on self-destruction. As well, the federal party was overwhelmingly dependent on the Alberta party for finances. Following the war, when Solon Low wanted to go to England to discuss strategy with Douglas, the first source he thought of turning to for money was the Alberta party.[49] *The Canadian Social Crediter* was also subsidized by the Alberta party. Perhaps most decisively, the public's distaste for anti-Semitism once it understood the full horror of the Holocaust made the Douglasites' pretence of opposition to anti-Semitism untenable.

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[43] Low papers, M695, file 173, Gillese to Low, 26 March 1947

[44] Ashby papers, M31, "Strictly Confidential To Contributors and Directors of Policy," from John Patrick Gillese, Editor-in-chief, The Canadian Social Crediter, n.d.

[45] Low papers, M695, file 173, Gillese to Dr. J.N. Haldeman, 3 June 1947

[46] *Alberta Social Credit Board, Annual Report 1946, Presented to the Legislative Assembly ... at its 1947 Session* (Edmonton, 1947)

[47] Finkel, *Social Credit Phenomenon*, 76, 93

Certain of success, Manning finally acted decisively. In November 1947 he denounced the Douglasites and notified the Social Credit Board that it would be disbanded the following March. The provincial convention later that month backed him.[50] The Alberta party regained control of *The Canadian Social Crediter*, and John Gillese was removed from his editorial duties. Byrne was fired in February 1948 and R.E. Ansley was booted from the cabinet where he had been serving as education minister. Some other Douglasites left the party in disgust.[51] Low returned to the fold and began to assert his independence from Byrne and the Douglasites. It all seemed to be over quite quickly, but Douglas's influence on the Alberta party ran too deep to be eradicated by any purge.

In fact, not all the Douglasites were gone from the party. Some, like Cornelia Wood, resolved to stay on so that when the people demanded social credit someone would know how to put it in place. Wood recognized that the Social Credit government was still social credit's best chance in Alberta. "Knowing this," Wood explained, "there is no split in the movement. We are all going on working in our own way to keep this government in office, and gradually work until time opens the way to put in Social Credit."[52] Traces of anti-Semitism lingered in the party for years. Other Douglasites, forced to the sidelines by Manning, regrouped and became critics of the government. For many, Manning's purges and the direction of world politics simply confirmed the rightness of the strategy of 1937.

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[48] See Andrews on the Saskatchewan and Manitoba Social Credit organizations, for instance, in "'Progressive' Counterparts," 58-74.

[49] Low papers, M695, Low to Byrne, file 35, 23 May 1946; Ibid., file 35, Low to Byrne, 6 June 1946.

[50] Macpherson, *Democracy in Alberta*, 211

[51] Finkel, *Social Credit Phenomenon*, 105

Until his death in 1952, Douglas continued to be preoccupied with the struggle between Christianity and communo-socialism or Judaism.[53] On one occasion, perhaps sensing the resonance his ideas once held for Aberhart, he sounded almost like a fundamentalist:

> "Salvation," on this earth, being bed, board and clothes, anyone who, by definition, does not work, is a "parasite," battening on the elect... Anything which savours of criticism of this doctrine [of work] clearly constitutes blasphemy, and deserves forfeiture of bed, board, and clothes. To avoid the risk, and to satisfy the doctrine, all unearned incomes must be expropriated, and luxury reserved for those whose Obeisance to Anti-Christ is most profound and whose efforts conduce to the enlargement of Sacrifice and the veneration of the Priesthood. This is the issue which underlies every other issue, including monetary reform. "Salvation by Works" is not primarily a justification of work which needs no justification, but a condemnation of the Creator.

As ever, concerned about international politics, Douglas worried that the "fundamental nature of 'Russian' and 'American' High Policy, monotheistic centralisation," was identical and came from the same source, and he compared the two combatants in the Cold War to prize fighters in a fight where the Promoters' interests would prevail.[54] The war in Korea was being fought to demonstrate the need for a world police force, ostensibly under American control, which could then be used against any nation.[55] Events in Palestine offered hope because, for the first time in history, mankind had the opportunity to get the Promoter, the Jew, in the ring as a combatant. "That will be the most hopeful development of the past thousand years, and the first justifiable war of modern times will we hope, be fought to a finish ('unconditional surrender') since it is clear that nothing else will discourage the Promoters and their jackals."[56]

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[52] Wood papers, 86.125, Wood to Mrs. Margaret McKay, 29 March 1948

[53] Douglas, *The Development of World Dominion*, 10 15-16

[54] Ibid., 40, 63

[55] Ibid., 88

The Social Credit Board's final report presented to the legislature in March 1948 reiterated Douglas's concerns about the worsening international situation. The Board was certain that the World Plotters were planning at least one more world war "to create the necessary confusion and strife... [to] enable them to complete their programme and establish their 'one world.'" The evidence was everywhere: the increasing power of Russia in Europe, the number of socialist governments and governments like Canada's that pursued socialism while masquerading under another name, and the emergence of the International Monetary Fund and the United Nations, the latter of which was "pursuing the socialist-communist-finance policy of centralized power," with the help of its subsidiary world organizations, such as the World Bank and Fund, UNRRA, and UNESCO.[57] The government could agree with most of those concerns, but not when they were coloured with anti-Semitism.

Byrne, for instance, developed the same themes, but with an added bitter twist of anti-Semitism. In his final report to the Board, which was actually submitted to the Douglas Social Credit Council after he was fired by Manning, he warned that: "the issue in the world at the present time is Christendom versus Zionism; that the present plight of the remnants of our civilizations is the result of a deliberate and deep-seated conspiracy to enslave humanity under a World Police State pursued through the policy of monopoly, manifested in international finance, socialism and communism, and rooted in political Zionism."[58] According to Byrne, the policy and strategy of the world plotters had been revealed in the *Protocols of the Elders of Zion.* The principal protagonists were Zionists, he explained, and defined Zionism as "a policy based on the claims by a group, and a powerful group, of internationalists of the racial superiority of the Jewish people and directed to the complete subjugation of all nations to the rule of a Jewish hierarchy supported by a Jewish plutocracy."[59] He worried that Manning was becoming openly sympathetic to Zionism.[60]

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[56] Ibid., 64

[57] James papers, M574, box 1, "Annual Report of the Social Credit Board for the year ending December 1947," 2, 6

[58] Ibid., box 1, "Report submitted to the Alberta Social Credit Board by L.D. Byrne, Technical Adviser to the Board, January 1948"

In their final reports, both the Social Credit Board and Byrne once and for all rejected the strategy of gradualism. Given the enemy's "ruthless conspiracy against human freedom and life itself," the Board reasoned, "it is more than dangerous to direct all our efforts towards ineffective political party action or economic reforms when our main forces should be directed towards exposing and defeating a ruthless enemy."[61] Byrne argued that, when the enemy held the initiative, explaining how the economic system could be reformed under a different policy was a waste of time. "The enemy is not interested in such a policy except for the purpose of defeating it." It was like trying to halt Hitler's advance by explaining to the German people that you had a "wonderful scheme for maintaining world peace." In Byrne's view, "any attempt to alleviate economic conditions and to introduce economic reforms in face of the situation which exists, without dealing first with the political realities, will play into the hands of the enemy."[62]

There was another reason for Byrne and Douglas's persistent opposition to gradualism. Gradualism brought piecemeal reform which dulled the public appetite for radical action. Gradualism, then, could delay the hoped-for insurrection that would see Finance overturned. The correct strategy to bring about such an insurrection was to clarify the nature of the Enemy, mobilize the people, and gain control over punitive sanctions. According to the Douglasites, instead of pursuing this strategy the Manning government had surrendered to the Enemy without so much as a whimper of protest. The Douglasites were wrong.

The expulsions of 1947-48 did not mark the end of the influence of Douglas social credit on the Manning government, although the exit of the Douglasites did lessen the pressures for it to remain true to Douglas's teachings. In succeeding years, the government's conspiratorial understanding of history, attacks on socialism, and strategy of gradualism all drew on Douglas's ideas. The rift between Alberta Social Credit and Douglas was permanent, but the government still aimed at attaining a social credit society. And Manning remained determined to fulfil the mission started by William Aberhart. At the close of 1947, Manning wrote to a party supporter that as long as he was Social Credit's leader and Alberta's Premier, "neither the Movement nor the Government in this Province will deviate from the policy and course of action established by our late leader, whose work it is my one great desire to carry through to a successful conclusion at the earliest possible date."[63] Manning was sincere.

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[59] Ibid.

[60] Low papers, M695, Byrne to Low, 1 Aug. 1948

[61] Ibid., box 1, "Annual Report of the Social Credit Board for the year ending December 1947," 4

[62] Ibid., box 1, "Report submitted to the Alberta Social Credit Board by L.D. Byrne, Technical Adviser to the Board, January 1948"

Aberhart had often referred to Social Credit as a philosophy of life. The notion that social credit was more than a set of monetary theories, that it involved "a way of life," became a commonplace for party members by the 1940s. The Social Credit way of life has received attention from two scholars, Dennis G. Groh and Colleen Judge. Both interpret it as an expression of Social Credit's changing ideology in which monetary concerns gave way to social concerns. Judge writes that, by the end of the Second World War, Social Credit ideology "had evolved beyond a set of monetary reform theories." The party and government were now "dedicated to social, rather than economic, reform."[64] Groh largely attributes the articulation of the Social Credit way of life to Manning. Judge more accurately suggests it evolved slowly and was introduced by Aberhart. She also stresses the conspiratorial understanding of the world which remained vital to Manning and the Social Credit way of life. Both Groh and Judge emphasize the importance of Manning's religious beliefs, and particularly his understanding of salvation, for Social Credit ideology.

Whether the economic reform ideas can be separated from the social reform ideas in Social Credit ideology seems very questionable. Both Groh and Judge tend to view Social Credit's economic reform agenda in terms of a narrow focus on monetary theories. As this thesis has shown, however, from the publication of the Yellow Pamphlet in 1933, Aberhart had recognized that Douglas social credit involved more than monetary reform, that it included an apocalyptic vision of world history and called for a radical revision of capitalism, a wholesale redistribution of the ownership of the means of production, and widespread social reform. Furthermore, although both scholars largely attribute the ideas that made up the Social Credit way of life to Aberhart and/or Manning, most of the tenets of postwar Social Credit ideology actually originated with Douglas. Basic economic security and individual freedom were the two fundamental goals of Douglas social credit.

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[63] Premiers' papers, 69.289, file 1461, Manning to E. Geehan, 23 Dec. 1947

[64] D.G. Groh, "The Political Thought of Ernest Manning," (M.A. thesis, University of Calgary, 1970), 1; Judge, "Manning Administration," 38

The need for economic security if man was to be free to seek salvation had first attracted Aberhart to Douglas's ideas. Aberhart believed he had found in social credit a means of loosening the depression's grip so that the individual could more readily seek salvation in Christ. Although he began to sound like a social gospeller, he never renounced fundamentalist beliefs. Faith and God's grace freely given were necessary for salvation. Ultimately, only the individual could free himself. In Aberhart's interpretation, Douglas's conspiratorial theories were re-cast in biblical terms with the financial conspiracy allied to the Antichrist, while his monetary theories were equated to Christian economics. Yet, minus the religious allusions, Aberhart social credit was closely based on Douglas's writings. As the 1935 election approached, Aberhart repeatedly amended his technical definitions until his version of social credit economic theory was virtually identical to that of Douglas.

There were differences in their political theories, however. Influenced primarily by Douglas's schemes for implementing social credit, Aberhart envisioned a very powerful state apparatus working on behalf of the people to vanquish Evil and create economic security. The concept of a powerful state was potentially in conflict with Aberhart's religious-based fears that the emergence of the powerful, centralized state would undermine individual freedom and presage the end of times. Yet the social credit state Douglas described promised to decentralize power and, in any case, so long as Aberhart was in charge and the people were behind him, he could guard against unwanted tendencies. At least temporarily, Aberhart overcame any doubts he may have experienced. His dreams of leading the Alberta people to social credit, however, were not to be fulfilled. The constitution stood in Aberhart's way as did Douglas, who believed he was the sole expert who could determine the methods the Alberta government should use to implement social credit. Both Aberhart and Manning disagreed with the demarcation Douglas drew between the people demanding results and the experts choosing methods. The public had to understand the basics of reform proposals if they were to have faith. Knowledge could build faith and faith was fundamental to salvation. Both also rejected the notion that the experts should be free to choose any methods to deliver a desired result. Christian morality had to inform all decisions and actions. Douglas's disagreements with Aberhart involved questions of strategy and related more to political theory than to economic theory.

The disputes between Douglas and Aberhart provided Social Credit's grass roots with their best opportunity to influence the policies of the government, however, in practice grass roots' ideas had to correspond to Aberhart's understanding of social credit to win favour. The grass roots contributed most heavily to the government's debt adjustment measures and the various policies aimed at increasing Alberta's economic self-sufficiency. For Aberhart, both debt adjustment and autarchy were rooted in social credit. Aberhart's determination to free his government and Albertans from debt arose from his belief that the realm of God must be separate from the realm of Satan and from Douglas's analysis that Finance controlled governments and individuals through debt. Following Douglas again, Aberhart favoured greater Alberta economic self-sufficiency as a way of separating the province from external markets controlled by Finance. He rejected the left wing solution of government ownership because it conflicted with his religious beliefs and with social credit's notion of a bondholder state.

Although grass roots' influences were sharply circumscribed, Aberhart's control over Alberta Social Credit doctrine does not mean he was an incipient dictator. When Aberhart discovered that the people did not support his government's initiatives, he began to back away from his notion of state-led change and to articulate a strategy of gradualism. The people would determine the pace of change, he promised. Aberhart's strategy of gradualism and the backbenchers' frustrations with his caution led to the backbenchers' revolt of 1937, after which Douglas's confrontational strategy took precedence.

Douglas's influence, exercised through his emissaries Byrne and Powell, resulted in Alberta Social Credit's indoctrination in the tenets of social dynamics. Behind the scenes, anti-Semitism began to infest the Alberta movement, while, more publicly, Finance was relentlessly and systematically exposed as the directing hand behind the day-to-day actions of governments and businesses. The government's autarchic policies went into decline and Douglas's potentially authoritarian political theory temporarily dominated. For now, Aberhart co-operated, although both he and Manning still resisted Douglas's political theory. Though not as famous as the radical 1937 legislation attacking the rights of banks and bankers, social dynamics had greater long term significance for Alberta Social Credit.

Social Credit's understanding of economic security and individual freedom changed as a result of Powell and Byrne's lectures on Douglas's social dynamics. The role the state would play in creating economic security decreased in Social Credit thinking and individual responsibility and freedom were emphasized. Social dynamics taught that the justification for the existence of any organization was the benefit arising from the free association of its members. Organization, including government, existed to serve the individual. The people set policy for the government by demanding results in the order of their priority. The government helped clarify the issues for the people and was responsible for hiring the experts who would secure the results demanded by the people. The basis of organization was personal responsibility. The best organization delivered the desired results while requiring the least surrender of personal freedom. Such ideas were in harmony with the importance Aberhart and Manning's fundamentalism placed on the individual.

By the late 1930s, Douglas's political theory was rejected, but the social dynamics version of Douglas social credit augmented by a strong dose of Christian belief dominated Alberta Social Credit rhetoric and, later, its expression of the social credit way of life. A few months after Aberhart's death, Manning explained the Social Credit way of life in terms of "a properly functioning Christian democracy."[65] Through constant reiteration of the ideas of social dynamics, terms like "personal security" and "properly functioning democracy" became charged with more complex meanings. The 1945 national Social Credit charter could capture much of the party's ideology in a few short phrases that began: "THE SOCIAL CREDIT WAY OF LIFE EMBRACES: The Principles of the Christian Ethic. Sanctity of Individual Personality.

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[65] Premiers' papers, 69.289, file 1824, "National Series No. 4, 'This Is A Crusade,' By Honourable E.C. Manning," n.d.

Personal Freedom. Personal Security. A New Democratic Order..."[66]

Over the next few years, when the Manning government explained the principles of the Social Credit way of life, the influence of the social dynamics version of social credit (including the importance of economic security) shone through. One of the clearest statements of Social Credit ideology from the years following the war was given by national organizer Orvis Kennedy. Kennedy was enamoured with Powell's concept of street level organizations of social credit groups, but he saw such groups as fundamental to the strength of the party. He was a lifelong crusader for social credit and a friend of Manning, who sometimes relied on him to help keep the federal party in line. Kennedy explained there were four basic principles to Social Credit: first, "[t]he individual is the most important of all of God's Creation on this earth;" second, "[t]he major function of any Government is to bring to people the results which the people want in the management of their affairs;" third, "[s]ecurity alone is not enough. We must have freedom with security;" and fourth, "that which is physically possible and desirable can and must be made financially possible." Kennedy claimed the first three principles had already been put in practice by the Alberta government. The fourth required social credit monetary reform.[67] As Judge has shown, through the 1950s the fundamental principles of the Social Credit way of life remained much the same.[68]

Rather than Social Credit shifting from economic reform to social reform during the Second World War, Alvin Finkel argues it underwent a dramatic transition "from a radical broad-based monetary reform party associated with the left to a cadre party of right-wing paranoids."[69] There are difficulties, however, in analyzing Alberta Social Credit in terms of the left and right of the political spectrum. Social Credit seems to cross the lines of conventional theories. If left populism is characterized by farmer-labour alliances, attacks on corporate capitalism, and support for co-operatives and either government regulation or government ownership of production, and right populism is characterized by a common front of all classes, a narrow focus on monetary issues, and open market competition except for banks, where does Social Credit fit? In 1935, Social Credit embraced a common front of all classes, attacked both corporate capitalism and finance, and urged monetary reform and government regulation of the economy, including finance.

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[66] Legislature Library papers, 74.1, box 9, file 232, "The Social Credit Charter, A National Policy for Establishing a New Democratic Order in Canada," May 1945; also see Wood papers, 72.309, file 16, *Annual Report of the Social Credit Board for the year ending December 1945* (Edmonton: King's Printer, 1946)

[67] Ibid., file 1, "Principles and Policies of Social Credit, by Orvis A. Kennedy, National Organizer, Social Credit Association of Canada," n.d.

[68] For the statement of principles approved at the 1956 provincial convention, see Wood papers, 79.228, file 56, "The Social Credit Yardstick, by Hon. E.C. Manning," January 1957; and for the early 1960s, see Manning's "Aims, Objectives and Policies of Social Credit," in *The Busy Bee*, May-June 1961; Judge, "Manning Administration," 60-61

There are also difficulties in resolving the tension between the left and the right in Social Credit by assigning responsibility for left-leaning ideas to the grass roots while attributing the more conservative ideas to the leaders. The call for a common front of all classes, the attacks on capitalism and finance, and the demands for monetary reform and government regulation of the economy all originated in Douglas social credit. To repeat, Social Credit's leaders, not the grass roots, defined Social Credit's official ideology. Some government measures earned support from grass roots activists, but that does not necessarily mean they were undertaken because of grass roots pressures. For instance, Social Credit's call for the elimination of land taxes and their replacement with a production tax may have received support from the grass roots at the 1938 convention,[70] but it originated months before in Douglas's strategy for mobilizing the people through tax reductions. The marketing board was not created because Social Credit was considering "a giant leap to the left."[71] It was first and foremost part of the Aberhart government's strategy for overcoming the blockages to social credit at the wholesale level. There *were* grass roots alliances between left-wing groups within Social Credit and communists and other leftists.[72] But again the united front strategy enjoyed its greatest success after it was first sanctioned and then initiated by Douglas's envoys, Byrne and Powell. Ironically, much of Social Credit's left-wing thrust originated not with the grass roots but with Douglas and Aberhart, two men Finkel regards as having fascist tendencies.

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[69] Finkel, *Social Credit Phenomenon*, 98. Finkel associates much of Social Credit's transition to a right-wing party to Manning's leadership. He recognizes that Aberhart attacked socialism during the Second World War but at least implies that Manning, following Douglas, was the one who associated Nazism with socialism and claimed socialists were in conspiratorial alliance with finance (Ibid., 83, 85). In fact, Aberhart had said virtually the same things. Likewise, Finkel suggests that, under Manning, Social Credit was beginning "to regard virtually all forms of government intervention as anathema" and cites the government attitude to social insurance as an example. (Ibid., 88). Again, of course, Manning was copying Aberhart and Douglas regarding social insurance. The acceptable grounds for government interference in the economy had not really changed that much since the late 1930s.

[70] Ibid., 48-49

The difficulties defining Social Credit in terms of left and right do not disappear when the focus switches from the mid-1930s to the mid-1940s. Social Credit was not a "cadre" party of the right in the early Manning years. From the mid-1940s and into the 1950s, it generally had between 10,000 and 15,000 members -- more than any other political party in the province. With justice, Social Credit's extreme conspiratorial understanding of the world and its inordinate fear of socialism can both be characterized in terms of right-wing paranoia. Under Manning, both views continued to be strongly influenced by Douglas social credit and Manning's religious views.

Yet, in many other respects, Social Credit was quite moderate. In other words, Social Credit continued to defy conventional definitions of left and right. Although the boundaries of acceptable state action had changed over the years, the Manning government was still actively engaged in trying to establish a social credit state through such measures as the Interim Program. It was involved in government enterprise through the government insurance agency, the Treasury Branch, the Marketing Board, Marketing Services, and the recently formed Alberta Industrial Corporation. It was experimenting with the decentralization of government bureaucracy to provide equal access to government services for all Albertans. It was looking for ways to use tax dollars to build the "cultural heritage" of the province, which again would be available equally to all Albertans for their membership in the community. It was experimenting with regulatory structures that would forward public policy for the development of Alberta's natural resources without contributing to monopoly conditions or government ownership. It was re-examining the potential of exports to enrich the province. And it was searching for alternatives to the welfare state while providing a high level of services.

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[71] Ibid., 44-45

[72] Ibid., 49-51

In fact, many of the basic tenets of Alberta Social Credit ideology were still in place as late as 1967 when Manning authored both *Political Realignment: A Challenge to Thoughtful Canadians* and *A White Paper on Human Resources Development.* "Society exists to enhance the development of free and creative human beings and should aspire toward the provision of full opportunity for every individual in every area of human endeavor," the *White* Paper attested.[73] All human associations exist to serve individuals, *Political Realignment* reminded readers.[74] One by one, Manning checked off the tenets of social dynamics. In the cultural sphere there ought to be freedom of thought and action. Individuals must take responsibility. Collectivism and big government threaten the individual. Increased economic productivity should benefit the workers. Even the concept of the bondholder state was approved. Manning reminded readers that, to give "more Albertans a greater equity in the physical resources development in the province," his government had already made Alberta Gas Trunk stock, Alberta Government Telephones debentures, and Great Canadian Oil Sands Ltd. convertible debentures available for Albertans to purchase. The *White Paper* recommended further programs making equity stock holdings available to Albertans. And, to assist with the costs of intermediary production, both the Treasury Branch and the Alberta Commercial Corporation stood ready to help small businesses pay for capital facilities and raw materials.[75] If such concepts recalled the social dynamics lectures Powell and Byrne had given thirty years previously, others signalled that the Social Credit way of life had continued to change. For instance, an increasingly pragmatic and fiscally conservative Manning now objected to the notion of government services being provided to citizens for free. Individual responsibility and initiative would be undermined.

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[73] Ernest C. Manning, *A White Paper on Human Resources Development* (Edmonton, March 1967)

[74] Ernest C. Manning, *Political Realignment: A Challenge to Thoughtful Canadians* (Toronto: McClelland and Stewart, 1967), 65

[75] Manning, *White Paper*, 49

What is remarkable about Alberta Social Credit then is the very thing scholars have denied -- its steadfast commitment to Douglas social credit. Though strongly influenced by Aberhart and Manning's shared fundamentalism, Douglas social credit was the constant reference point of Alberta Social Credit ideology and government policy. The methods to achieve social credit were revised over the years, but the goal remained the same. Only the people could free themselves. The government's job was to ensure they had the opportunity.

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